25 JAHRE CENIT

Financial Report 2012

cenit

DRIVEN BY YOUR VISION.

CENIT KEY DATA 2008 – 2012

in million EUR	2012	2011	2010	2009	2008
Total revenue	118.85	107.84	93.17	86.49	83.36
EBITDA	11.04	8.74	5.74	5.29	6.19
EBIT	8.02	6.26	3.97	3.89	4.78
Net income	5.42	4.35	3.01	2.72	3.33
Earnings per share in EUR	0.65	0.52	0.36	0.33	0.40
Dividend per share in EUR	Proposal: 0.55	0.30	0.15	0.30	-
Equity ratio in %	58.7	57.0	58.0	64.0	64.0
Number of employees	675	657	634	695	721
Number of shares	**8,367,758**				

CONTENTS

Preface of the Management Board

PREFACE OF THE MANAGEMENT BOARD

LADIES AND GENTLEMEN,

2012 was another successful year which we were able to end with a good result. Although the market was unsteady at times, we were able to significantly increase both sales and earnings before tax.

High demand in the manufacturing industry contributed to this throughout the entire financial year, which led to a significant improvement of the results in the Product Lifecycle Management (PLM) area. In the Enterprise Information Management (EIM) area the company operated in a continuously difficult market environment; this led to a slight decrease in sales and earnings.

Sales of third party software grew considerably compared to last year, as did sales in the consultancy business and application operations. On the other hand, sales of CENIT's own software declined.

We are, therefore, in line with the German economy. According to OECD, the Euro crisis also remains the biggest risk to the German economy for 2013. Economists state that gross domestic product will only increase by 0.6 per cent. All this, even though the German national debt crisis is not actually getting worse. It can be assumed that the weakening of the economy, which began at the end of 2012, will continue at the start of 2013. Depending on market dynamics, economic research institutes anticipate an economic recovery beginning in the summer. It remains to be seen how CENIT customers consider their economic position and forecasts for 2013 therefore remain difficult.

We also continued to strengthen our international companies in 2012. In particular, we expanded our subsidiaries in North America, Romania and France further. Business in Japan is also developing as planned.

As in previous years, we place great value on training young employees. Our goal as a training organisation is initially to secure the qualitative basis of our sustainability. However, we also see it as an important social duty to provide prospects for young people. For this reason we increased our number of trainees by approx. 30% in 2012. This supports our targets for organic growth.

Concentrating on consultancy services and software will also have a positive effect on our business development in the future. This will also be supported by further acquisitions and investments.

CENIT shares increased in value by approx. 40% in the 2012 financial year. We also expect that our company policy and financial flexibility and strength will continue to influence the price favourably in 2013.

Together with our employees, we work at becoming better and more innovative every day. Therefore, we will also make the necessary investments and face the necessary challenges in 2013.

Sustainable, profitable growth requires a stable economic position which, even according to statements made by economic research institutes, is not yet in place for 2013.

The Management Board thanks all the employees of the CENIT group and the members of the Supervisory Board for their personal commitment and successful work in the 2012 financial year.

These thanks are also extended to all shareholders, customers and business partners who placed their trust in CENIT in the previous financial year.

The Management Board of CENIT AG

Kurt Bengel	Matthias Schmidt
Spokesman of the Management Board	Member of the Management Board

Report of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

In accordance with Section 171 Para. 2 of the German Stock Corporation Act this report provides information on the Supervisory Board's activity in the 2012 financial year. In 2012, the Supervisory Board performed the duties imposed on it by law and the Articles of Association. We supervised the management of the business and advised the Management Board on directing the company. We were involved in all decisions which are of fundamental importance for the company and require the assistance of the Supervisory Board. In the course of our supervisory and advisory activities the Management Board reported to us regularly, promptly and comprehensively, both verbally and in writing. The Management Board informed us of the course of business and also the economic and financial development of CENIT. Other key reporting topics were the risk situation, risk management, compliance issues and fundamental issues relating to corporate strategy. Based on Management Board reports, we discussed business development and important decisions and procedures for the company at length in Supervisory Board meetings. Besides that, we also dealt with the Management Board's plan for the 2013 financial year, medium term orientation and also deviations from the plans in actual business performance. Outside of meetings the Management Board informed the Supervisory Board of key financial figures with monthly reports and submitted matters requiring approval to the Supervisory Board for decision in a timely manner. Management Board reports on the business position and reports on particular topics were accompanied by written presentations and documents, which were sent to every member of the Supervisory Board for preparation prior to the meeting.

In the previous year the Supervisory Board discussed the economic situation, further strategic development and the long term positioning of the CENIT group in depth at five ordinary meetings and several telephone conferences. All members of the Supervisory Board participated in all meetings. The Supervisory Board believes that it has a reasonable number of members with no business or personal connections to the company or the members of the Management Board, which could lead to a conflict of interests. The Supervisory Board has an independent financial expert in Mr Hubert Leypoldt. As in the previous year, the Supervisory Board does not consider it necessary to form committees due to the small number of Supervisory Board members. The members of the Supervisory Board did not have any conflicting interests in the reporting period.

RANGE OF TOPICS IN SUPERVISORY BOARD MEETINGS

The Management Board informed us of the development of sales and earnings in all Supervisory Board meetings during the 2012 reporting year. Furthermore, it also gave details on the course of business in specific business segments and reported on the position of assets, finance and earnings. We paid particular attention to the possible consequences for the risk situation and liquidity base.

FINANCIAL REPORTS/AUDITS

In the balance sheet meeting on 23 March 2012 the Supervisory Board dealt with the annual financial statements of CENIT, in the presence of the auditor and the auditor of the consolidated financial statements. The annual accounts of CENIT Aktiengesellschaft and the consolidated financial accounts for the 2011 financial year compiled by the Management Board, together with the accounting practices and management report, have been audited by BDO AG Wirtschaftsprüfungsgesellschaft, Stuttgart, which was appointed as auditor during the ordinary Annual General Meeting on 26 May 2011. The Supervisory Board reviewed the submitted annual financial statements, the consolidated financial statements and the company and group management reports in depth and in detailed discussions with the Management Board and the auditor, and also discussed the accounting policy on which these were based. The Supervisory Board also addressed the results from the audit of the annual financial statements based on the audit reports and in individual discussions. The Supervisory Board is satisfied that the audit and the audit reports meet the requirements of Sections 317 and 321 of the German Commercial Code. The financial statements for 2011, which were compiled by the Management Board and issued with unqualified opinions by the auditor, were finalised in the balance sheet meeting. The 2011 financial statements of CENIT AG were adopted by the Supervisory Board on 23 March 2012 and the 2011 consolidated financial statements were approved. The Supervisory Board approved the Management Board's proposal on the appropriation of distributable profit following a review.

In the meeting on 23 March 2012 we paid particular attention to the business situation in the first quarter of 2012 and the medium term strategy and plan of the CENIT group. Based on an extensive report by the Management Board we discussed the strategic direction of CENIT and the various business areas. Part of this meeting was also to prepare for the Annual General Meeting on 6 June 2012.

OTHER TOPICS IN THE MEETINGS AND TELEPHONE CONFERENCES

In the course of the year, the Supervisory Board was continuously informed of the periodical financial results and discussed the 2012 half-year financial statements and the interim reports on each of the quarters with the Management Board in depth. Discussions focused on the sustainable development of earnings and sales in 2012.

Topics covered in the ordinary Supervisory Board meeting on 6 June 2012 were the course of business of CENIT AG and also the risk and opportunities for specific business areas. The Human Resources department made a presentation, amongst others. Reports were also given on the status of the Company Acquisitions department.

During a telephone conference on 28 June 2012 the Management Board reported on organisational, distribution and strategic measures for improving the performance of the BOA (Business Optimization & Analytics) business area.

In the following ordinary Supervisory Board meeting on 27 August 2012, the Management Board discussed the current business position in the third quarter. Focus was also placed on the status of the newly established subsidiary in Japan. The business area Application Management Services (AMS) gave a presentation.

In the meeting on 9 November 2012 the Airbus division gave a presentation and discussed the course of business in the fourth quarter. When doing so, particular attention was paid to the analysing deviations in comparison with the plan for 2012. Other topics of the meeting were planning the schedule for 2013 and the appointment of Mr Matthias Schmidt to the CENIT AG Management Board on 1 February 2013.

The last ordinary meeting of the year on 7 December 2012 focused on the plan for CENIT for the 2013 financial year. There were intense discussions on economic prospects in the coming years. The presentations by various departments/divisions of CENIT gave the Marketing department the opportunity to introduce itself in this meeting.

RISK MANAGEMENT

The risk management of the group was an important topic in several meetings. The Management Board reported on the fundamental risks and the risk monitoring system of the company. Based on a number of discussions with the Management Board and several opportunities for discussion with the auditor, the Supervisory Board was satisfied with the effectiveness of the risk monitoring system.

CORPORATE GOVERNANCE

We regularly discuss corporate governance in the group in depth and particularly address the changes to the German Corporate Governance Code resolved by the Government Commission. The Supervisory Board is certain that good corporate governance is as essential foundation of the company's success, reputation and identity. As a result, the Supervisory Board has continuously monitored and considered the further development of the Corporate Governance Standard and its implementation in the company. Amongst other things, this includes regularly reviewing the efficiency of the company's own activities. In particular, the continued legitimacy of business management and the efficiency of company organisation were discussed and were also discussed with the auditor. Awareness of constant responsible and legal business practice and its existential significance for CENIT is well embedded in the company and its committees. The Management Board and Supervisory Board report on the corporate governance of CENIT in accordance with Section 3.10 of the German Corporate Governance Code in the corporate governance report. The Supervisory Board issued a declaration of compliance on 16 February 2012 in accordance with Section 161 of the version of the German Corporate Governance Code dated 26 May 2010 and made this permanently available to the shareholders on the company's website.

BALANCE SHEET MEETING 2013 FOR THE 2012 ANNUAL AND GROUP FINANCIAL STATEMENTS

Accounting practices, the annual financial statement with the management report for the 2012 financial year and also the consolidated financial statement with notes and the consolidated management report for the 2012 financial year have been audited by BDO AG Wirtschaftsprüfungsgesellschaft, Stuttgart, the auditor of the financial statement and consolidated financial statement appointed by the Annual General Meeting on 6 June 2012. In accordance with its duties, the Supervisory Board checked the qualification, independence and efficiency of the auditor.

The auditor issued the annual financial statements and consolidated financial statements of CENIT, including the 2012 management report and consolidated management report, with unqualified opinions. The financial statements of CENIT Aktiengesellschaft were compiled in accordance with commercial law. The consolidated financial statements comply with the International Financial Reporting Standards (IFRS). The financial statements and audit reports were presented to all members of the Supervisory Board in full. The Supervisory Board discussed the auditor's report intensively with the Management Board and the auditor so as to be satisfied of its compliance. In the opinion of the Supervisory Board, the auditor's reports for 2012 complied with the statutory requirements.

Comprehensive reports by the Management Board and extracts from the company records, particularly documents relating to accounting, were also submitted before the meetings. Based on this and other information requested by the Supervisory Board in and outside of meetings, the Supervisory Board was able to fulfil its supervisory role properly and on schedule.

In the balance sheet meeting on 2 April 2013, the auditor reported on the main results from the audits of the individual financial statements of CENIT Aktiengesellschaft and was available to provide additional information and answer questions. This way, all Supervisory Board members could satisfy themselves that the audit complied with statutory requirements and was performed appropriately.

To conclude its own review in accordance with Section 171 of the German Stock Corporation Act, the Supervisory Board determined that there are no objections to be raised.

The Supervisory Board approved the annual financial statements for CENIT Aktiengesellschaft compiled by the Management Board for the 2012 financial year in its meeting on 2 April 2013 and adopted them in accordance with Section 172 of the German Stock Corporation Act. The Supervisory Board also approved the consolidated financial statements for the 2012 financial year on 2 April 2013.

The Supervisory Board approved the Management Board's proposal on the appropriation of distributable profit following a review.

Mr Matthias Schmidt was appointed to the Management Board with effect from 1 February 2013. The Supervisory Board wishes Mr Schmidt all the best and every success in his new role. At the same time, the Supervisory Board would also like to acknowledge the successful and dedicated work of Mr Christian Pusch in the interests of the company. Mr Pusch is leaving the company on 31 July 2013.

The Supervisory Board thanks the Management Board and the employees of CENIT for their work in 2012. The commendable effort made by all enabled the good financial statements for the year.

Stuttgart, April 2013
On behalf of the Supervisory Board

A. Schmidt

Andreas Schmidt
Chairman of the Supervisory Board

Management Report

COMBINED MANAGEMENT REPORT OF THE COMPANY AND THE GROUP FOR THE FISCAL YEAR FROM 1 JANUARY 2012 TO 31 DECEMBER 2012

The CENIT Group is managed globally by the parent company CENIT AG as an operating company. The Group's economic situation is shaped by the economic situation of the parent, CENIT AG. For this reason, the Management Board of CENIT AG combines the management report of the Group and of CENIT AG together in one report.

OVERALL ECONOMIC CONDITIONS

GERMANY

After 2011, 2012 was once again heavily influenced by the European debt crisis. According to the ifo Institute, production in the overall economy in Germany got off to a good start in 2012 but then slowed more and more throughout the course of the year. After a 3% increase in gross domestic product in 2011, GDP grew by just 0.7% in total in 2012. But this still makes Germany a stable force in the euro zone, as many other European countries are expecting substantially lower growth or even negative growth.

In 2012, Germany's growth was fuelled primarily by exports. There was a palpable drop in domestic demand in the course of 2012 according to the ifo Institute. Both the German government and the ifo Institute consider the German labour market to be stable. The unemployment rate improved from 7.1% to 6.8% in 2012.

The institutes' growth expectations for 2013 remain modest. GDP is set to rise by 0.7% in total in 2013 according to the ifo Institute. The International Monetary Fund (IMF) forecasts growth of 0.6% for Germany's GDP. According to the forecasts, the German labour market will move sideways in 2013. Experts are reckoning with an unemployment rate of 6.9%.

The forecasts are based on the assumption that the euro crisis will not escalate further and that the countries in the euro zone will keep their promises. This is because, like in 2012, in 2013 the overall economic development in Germany will hinge on the development of the euro crisis.

EUROPE

After GDP in the euro zone already slipped by 0.4% in 2012, the IMF expects a further decrease of 0.2% in 2013. The Eurostat forecasts paint a similar picture. By contrast, the European Central Bank (ECB) expects GDP in the euro zone to drop by another 0.3% in 2013 before a return to economic growth in 2014.

According to the ifo Institute, the current economic performance of the euro zone is shaped decisively by the restrictive financing policy, the poor labour market situation and the uncertainty surrounding the development of the euro crisis. The institutes do not expect the situation to deteriorate next year. According to the ifo Institute and the IMF, the prerequisite for this is that the countries in the euro zone keep their promises.

USA

The US economy grew at a lower rate in 2012 than had been forecast at the end of 2011. The Federal Reserve is attempting to kick start the economy with continued low interest rates and the purchase of bonds. The IMF experts see the current relaxed monetary policy as the most important driver of growth. After 2.3% GDP growth in 2012, the Federal Reserve is forecasting growth of 2.8% for 2013. The IMF is not quite so optimistic, expecting growth of just 2.0% in the US economy. The unemployment rate in 2012 stood at 7.8% and – according to estimates by the Federal Reserve – will sink further in 2013 to approximately 7.4% to 7.7%.

JAPAN

Contrary to forecasts, the Japanese economy has shrunk for the third quarter in a row. According to statements by the government in Tokyo, between October and December 2012 GDP fell by an extrapolated annual rate of 0.4%. This is due on the one hand to weaker exports and on the other to lower investments. An extensive package of economic incentives by the new Japanese government is now set to promote economic growth. Consequently, the growth forecast for the coming tax year 2013/2014 commencing on 1 April has been raised from an original figure of 1.7% to 2.5%.

ECONOMIC CONDITIONS IN THE INDUSTRY

The industry association BITKOM currently holds a very positive image of the German IT and telecommunications market and is also forecasting further growth. Many innovations are ensuring a high level of demand, from private consumers and industry alike. ITC sales increased by 2.8% to EUR 152 billion in 2012. BITKOM is expecting growth of 1.6% to EUR 154.3 billion in 2013.

According to BITKOM, the positive trend amongst BITKOM companies is having a stabilising effect on the economy as a whole and is also providing impetus on the labour market.

In a global comparison, the European Information Technology Observatory (EITO) sees the slowest growth on the IT market in the western Europe region. According to an EITO forecast, the European IT market will grow by 1.2% in 2012 and subsequently by 1.4% in 2013. The main reason for the poor development is the euro crisis. The eastern European countries are not as badly affected by this, and are experiencing growth at a global level (approximately 5% growth). EITO considers Germany to be a further positive exception, with good growth rates that are stabilising the entire European IT industry.

The analysts at International Data Corporation (IDC) expect “third platform” technologies such as mobile, social, cloud and big data to account for roughly 90% of the growth on the global IT market between 2013 and 2020. According to the IDC analysts, global expenditure on IT will rise by 5.7% to more than USD 2.1 billion on the whole. The largest growth segment is mobile devices. IDC expects growth of between 4% and 6% worldwide for software and IT services.

As in the past years, IDC believes that cloud computing will remain a hot topic in 2013 too. On the whole, the analysts are predicting that the influence of the specialist departments on investment decisions in IT will increase. In addition, IDC considers forecast analyses – with analysis and detection tools – to be a particularly hot topic for the coming months.

The BITKOM industry in Germany is confident about 2013. In its survey on the economic situation carried out in the first quarter of 2013, more than three quarters of the small and medium-sized IT companies expected sales to climb in the first half of 2013. However, the extent to which forecasts and expectations will be met depends on the overall economic development around the world.

POSITIONING OF CENIT

CENIT operates in the area of Product Lifecycle Management (PLM) and offers solutions on the market for Enterprise Information Management (EIM).

CENIT is the specialist for the core processes of its customers and within that realm it focuses on the manufacturing industry and the financial services industry. The consultancy, service and software offering of the CENIT Group is based on standard products by its software partners as well as CENIT's own solutions based on those standard products. Leading software providers such as Dassault Systèmes, IBM and SAP are partners to the Company. The employees in the CENIT Group have a deep understanding of the processes and technologies in the target industries and thus provide the customers with tailored industry support in the planning, implementation and optimisation of their business and IT processes.

To allow the customers to concentrate on their core competences, the CENIT Group also manages the applications and the related IT infrastructures.

The Group’s primary objective is to increase profitability and to achieve sustainable sales growth.

EQUITY INVESTMENTS/SUBSIDIARIES

CENIT is headquartered in Germany (Stuttgart) and represented in the principal industrial centres there. In addition, the US market is served by a subsidiary located near Detroit. CENIT has further locations in Switzerland, Romania and Japan. With the CENIT subsidiary in Toulouse, the leading aerospace company Airbus SAS receives direct local support. The domestic and foreign companies included in the consolidated financial statements are consolidated in accordance with the uniform accounting and valuation methods in the CENIT Group. The companies use the same accounting and valuation methods as CENIT AG in Germany. The subsidiaries specialise in services and software. In addition, CENIT AG holds one third of the joint venture CenProCS AIRliance GmbH. The joint venture provides services and consulting for the joint major customer EADS.

CENIT (SCHWEIZ) AG, EFFRETIKON, SWITZERLAND

The subsidiary generated revenue of EUR 10,620 k in the past fiscal year (prior year: EUR 9,991 k) and EBIT of EUR 984 k (prior year: EUR 883 k). The business activities in Switzerland focus on PLM solutions from Dassault Systèmes and EIM solutions from IBM. The 21 employees in total from the branches in Effretikon and Yverdon-les-Bains mainly support customers from the manufacturing industry and the financial services industry. CENIT (Schweiz) AG is a wholly owned subsidiary of CENIT AG.

CENIT NORTH AMERICA INC., AUBURN HILLS, USA

CENIT North America Inc. generated sales of EUR 9,203 k (prior year: EUR 10,094 k) and EBIT of EUR 938 k (prior year: EUR 1,612 k). In the USA, the focus is on marketing CENIT software products in the area of PLM. The company's attention centres on customers in the aerospace industry and the manufacturing industry. 31 employees work in service and sales units.

CENIT SRL, IASI, ROMANIA

CENIT SRL generated sales of EUR 1,401 k (prior year: EUR 1,138 k) and EBIT of EUR 106 k (prior year: EUR 84 k). It has 29 employees and primarily provides services and is stepping up software developments. CENIT SRL's business activities also focus on marketing software of the strategic partner Dassault Systèmes in the PLM environment.

CENIT FRANCE SARL, TOULOUSE, FRANCE

CENIT France SARL generated sales of EUR 907 k (prior year: EUR 594 k) and EBIT of EUR 133 k (prior year: EUR 31 k). The 11 employees chiefly provide support to the customer EADS Airbus in Toulouse in relation to project consulting and tenders.

CENIT JAPAN K. K., TOKYO, JAPAN

CENIT Japan K. K., founded in 2011, generated sales of EUR 529 k (prior year: EUR 50 k) and EBIT of EUR -108 k (prior year: EUR -178 k). CENIT has already been successfully selling its own software and consultancy products in Japan via local partners for some years now. By having its own office there, which currently employs 3 people on site, the Group wants to emphasise the importance of the market going forward. The focus of CENIT Japan K.K. relates to the offline programming of robots.

CENPROCS AIRLIANCE GMBH, STUTTGART, GERMANY

The joint venture between CS Communication & Systèmes, CENIT AG and PROSTEP AG was founded in 2007 and allows the major customer EADS access to proven know-how and expert knowledge via just one contractual partner. CENIT AG holds a one-third share in the joint venture. It is reported at equity in the consolidated financial statements. CenProCS AIRliance GmbH publishes its own annual financial statements.

RESULTS FOR THE YEAR

SUMMARY OF BUSINESS DEVELOPMENT

2012 was an excellent year for CENIT. There was already a significantly positive development in demand in the first half of the year, and this had a knock-on effect on order intake. This continued in the course of the fiscal year. Particularly the rise in demand in the manufacturing industry and from automotive suppliers led to increases in the PLM area. The EIM area is still facing the challenge of the difficult market environment, which stems from the wait-and-see attitude to investment adopted by the customers in the banking and insurance sectors.

Thanks to its consistent focus on the core business, the CENIT Group grew sales by 10.2% and earnings before interest and taxes by 28.0%. The improvement in capacity utilisation in the area of services (91%) contributed to the above-average rise in earnings.

RESULTS OF OPERATIONS

RESULTS OF OPERATIONS OF THE CENIT GROUP (IN ACCORDANCE WITH IFRS)

BREAKDOWN OF SALES BY PRODUCT/INCOME TYPE

in EUR k	2012	2011
CENIT consulting and service	56,697	54,540
CENIT software	12,311	11,676
Third-party software	49,194	41,358
Merchandise	652	266
Total	**118,854**	**107,840**

Breakdown of sales by business segment

in EUR k	2012	2011
EIM sales	29,068	28,954
PLM sales	89,786	78,886
Total	118,854	107,840

81.6% (prior year: 77.9%) of sales was generated in Germany, 10.5% (prior year: 12.4%) in other EU countries and 7.9% (prior year: 9.7%) in other countries.

In the fiscal year 2012, the CENIT Group recorded revenue of EUR 118,854 k (prior year: EUR 107,840 k), which thus grew by 10.2%. Revenue from CENIT consulting and services rose by 4.0%. Sales with third-party software climbed sharply by approximately 18.9%. Sales with CENIT's own software were raised from

EUR 11,676 k to EUR 12,311 k (5.4%). It was chiefly the software products FASTSUITE and cenitCONNECT in the area of PLM and IBM FileNet System Monitor as well as ECLISO in the area of EIM that were sold successfully to the end customers.

KPI'S RELATING TO THE DEVELOPMENT OF EARNINGS

in EUR k	2012	2011
Gross profit	73,579	69,470
EBITDA	11,044	8,736
EBIT	8,017	6,262
Total financial result	94	241
Net income for the year	5,419	4,352

Gross profit (operating performance less cost of materials) totalled EUR 73,579 k (prior year: EUR 69,470 k), thus increasing by 5.9%. By contrast, the gross profit margin fell slightly from 63.8% to 61.5%. This is attributable to a change in the unit sales mix in the fiscal year. Personnel expenses increased by EUR 1,999 k or 4.4% compared to the prior year. This rise is attributable to the increase in the Group's headcount as well as to moderate salary adjustments. In addition, once-off expenses influenced the result marginally. Performance-related pay dropped to EUR 3,649 k (prior year: EUR 4,679 k). CENIT achieved EBITDA of EUR 11,044 k (prior year: EUR 8,736 k or 26.4%) and EBIT of EUR 8,017 k (prior year: EUR 6,262 k or 28.0%). A pleasing increase was recorded in the EBITDA margin from 8.0% to 9.2% as a percentage of operating performance.

in EUR/share	2012	2011
EPS	0.65	0.52

Earnings per share (EPS) were up by 25% in a year-on-year comparison from EUR 0.52/share to EUR 0.65/share.

RESULTS OF OPERATIONS IN CENIT'S SEPARATE FINANCIAL STATEMENTS (IN ACCORDANCE WITH HGB)

BREAKDOWN OF SALES BY PRODUCT/INCOME TYPE

in EUR k	2012	2011
CENIT consulting and service	53,297	47,341
CENIT software	10,822	10,555
Third-party software	39,929	34,757
Merchandise	645	262
Total	**104,693**	**92,915**

BREAKDOWN OF SALES BY BUSINESS SEGMENT

in EUR k	2012	2011
EIM	27,368	25,667
PLM	77,325	67,248
Total	**104,693**	**92,915**

CENIT AG generated revenue of EUR 104,693 k in the fiscal year 2012 (prior year: EUR 92,915 k). The strongest sales driver, consulting and service, experienced year-on-year growth of 12.6%. The share of sales with third-party software amounted to EUR 39,929 k (prior year: EUR 34,757 k), while sales of CENIT's own software climbed to EUR 10,822 k (prior year: EUR 10,555 k). In PLM, sales of CENIT's own software and of third-party software both increased.

KPI'S RELATING TO THE DEVELOPMENT EARNINGS AT CENIT AG

	2012	2011
Gross profit	65,174	60,603
EBITDA	9,408	5,936
EBIT	7,980	4,378
Total financial result	1,007	264
Net income for the year	6,247	3,079

The Company's gross profit amounted to EUR 65,174 k (prior year: EUR 60,603 k). Gross profit margin stood at 62.2% (prior year: 65.2%).

CENIT AG achieved EBITDA of EUR 9,408 k after a figure of EUR 5,936 k in 2012 (58.5%). The EBITDA margin thus developed positively, from 6.4% in the prior year to 8.9%. EBIT stood at EUR 7,980 k compared to EUR 4,378 k in the prior year

(82.3%). Amortisation of intangible assets and depreciation of property, plant and equipment dropped by EUR 130 k to EUR 1,428 k. Rental expenses were cut substantially by optimising the leased space.

In the fiscal year, personnel expenses increased by EUR 596 k (1.5%) on the prior year. The average headcount is virtually unchanged.

The financial result contains distributions of the subsidiaries in Romania and in the USA amounting to EUR 875 k in total.

NET ASSETS

NET ASSETS OF THE CENIT GROUP (IN ACCORDANCE WITH IFRS)

in EUR k	2012	2011
Non-current assets	9,681	10,507
Current assets	49,319	45,911
Total assets	**59,000**	**56,418**
Equity ratio	58.7%	57.1%
Equity	34,648	32,206
Non-current liabilities	2,343	2,345
Current liabilities	22,009	21,867
Total equity and liabilities	**59,000**	**56,418**

Non-current assets changed only minimally on the whole. The change in non-current assets is due on the one hand to scheduled amortisation and depreciation and on the other to an impairment loss on the customer list. As of the balance sheet date, equity came to EUR 34,648 k (prior year: EUR 32,206 k). The equity ratio stands at 58.7% (prior year: 57.1%). Bank balances and cash and cash equivalents totalled EUR 23,779 k as of the balance sheet date (prior year: EUR 18,135 k). In addition to the cash and cash equivalents, the Group still has sufficient overdraft facilities amounting to EUR 2,493 k.

Both the current assets and the current liabilities are in line with business development. Cash flow from operating activities came to EUR 10,444 k (prior year: EUR 8,266 k). In 2012, the cash flow was influenced by the payment of the dividend to the shareholders amounting to EUR 2,510 k in total and by investments of EUR 2,272 k.

NET ASSETS IN CENIT'S SEPARATE FINANCIAL STATEMENTS (IN ACCORDANCE WITH HGB)

in EUR k	2012	2011
Fixed assets	6,344	5,655
Current assets	18,078	20,983
Cash and cash equivalents and securities	19,802	13,994
Prepaid expenses	3,880	2,974
Total assets	**48,104**	**43,606**
Equity ratio	59.2%	56.7%
Equity	28,466	24,728
Provisions	7,359	6,887
Liabilities	7,491	8,661
Deferred income	4,788	3,330
Total equity and liabilities	**48,104**	**43,606**

Property, plant and equipment increased on account of investments.

As of the balance sheet date, equity came to EUR 28,466 k (prior year: EUR 24,728 k). The equity ratio stands at 59.2% (prior year: 56.7%). Bank balances and cash and cash equivalents totalled EUR 19,802 k as of the balance sheet date (prior year: EUR 13,028 k). In addition to the cash and cash equivalents, the Company still has sufficient overdraft facilities amounting to EUR 2,493 k. Both the trade receivables of EUR 16,975 k (prior year: EUR 18,431 k) and the trade payables of EUR 3,650 k (prior year: EUR 3,070 k) were in line with business development.

This financial independence constitutes a future competitive advantage for CENIT AG and guarantees customers the necessary investment security.

FINANCIAL POSITION

There are no liabilities of any kind to banks, either short-term or long-term. Credit lines of EUR 2,493 k granted are currently not being utilised. The amount of cash and cash equivalents that is temporarily not required to finance operations is invested on a short-term and sometimes also on a medium-term basis with an adequate risk/return ratio. All of the capital expenditure in non-current assets was financed without external funding in the reporting year. The strong financial position allows financing to come from company funds on a long-term basis.

KPI'S FROM THE STATEMENT OF CASH FLOWS IN THE GROUP (IFRS)

in EUR k	2012	2011
Cash flow from operating activities	10,444	8,266
Capex (investments)	-2,272	-2,258
Free cash flow*	8,172	6,008
Free cash flow per share in EUR	0.98	0.72
Cash flow from financing activities	-2,510	-1,255
Cash and cash equivalents as of the balance sheet date	23,779	18,135

*operating cash flow less capex

The cash flow from operating activities increased on the prior year. The net cash used for investing activities edged up slightly from EUR 2,258 k to EUR 2,272 k. Cash and cash equivalents at the end of the fiscal year thus total EUR 23,779 k, increasing by a total of EUR 5,644 k.

FINANCIAL POSITION OF CENIT AG (IN ACCORDANCE WITH HGB)

The liquidity as of the balance sheet date rose from EUR 13,028 k in the prior year to EUR 19,802 k in the past fiscal year. The cash flow from ordinary operations increased significantly on the prior year to EUR 11,409 k (+ EUR 7,169 k). The rise in cash inflows from ordinary operations stems first and foremost from the increase in the net income for the year as well as the reduction in other assets. The dividend of EUR 0.30 per share decided at last year's shareholder meeting led to a cash outflow of EUR 2,510 k.

PROPOSED DIVIDEND

The Management Board and Supervisory Board will propose to the shareholder meeting on 31 May 2013 that a dividend of EUR 0.30 and a special dividend of EUR 0.25 per share be distributed from the retained earnings of EUR 4,650 k. The Group continues to assume that the economic development will be stable in the coming months. Experience has shown that it makes sense to secure liquidity for the long term and to maintain financial independence in times of crisis. Ultimately, CENIT's strong financial position also constitutes a decisive competitive advantage in the awarding of contracts, in that it lends the necessary security to customers' investment projects, also with a view to the services and software products of the

CENIT Group. The other existing cash and cash equivalents should enable CENIT to continue to participate in the growth of the target markets going forward – in the interest of the Group and its shareholders and to the extent that this appears sensible. This includes, for example, measures to expand service and software activities. Interesting acquisitions will therefore be viewed and examined on a continuous basis. But the further technological expansion in terms of new areas and software development also requires capital.

Consequently, the financial strategy remains geared to maintaining a strong credit rating in the long term that does, however, also take into account the interests of the shareholders in receiving a dividend.

DEVELOPMENT OF ORDERS

Order intake in the CENIT Group amounted to EUR 116,510 k in the past fiscal year 2012 (prior year: EUR 122,900 k). The order backlog as of 31 December 2012 amounted to EUR 43,593 k (prior year: EUR 48,177 k).

Order intake at CENIT AG amounted to EUR 99,581 k in the past fiscal year 2012 (prior year: EUR 101,242 k). As of 31 December 2012, the order backlog at CENIT AG amounted to EUR 39,021 k (prior year: EUR 44,032 k). CENIT AG is well established on the market and was able to conclude framework agreements that extend beyond 2012.

SECURING LIQUIDITY

In additional to financial planning, CENIT carries out monthly liquidity planning. Any liquidity surplus is used in a targeted manner for the financing of projects, software developments, investments and the expansion of national companies.

Both CENIT AG and its group entities were always able to meet their payment obligations in the fiscal year 2012.

CAPITAL EXPENDITURES

Investments in property, plant and equipment generally play a lesser role at CENIT. They mainly involve investments in the furniture and fixtures of the sales branches and the administrative headquarters. Of these, most investments were replacement investments in the technical infrastructure. For example, a new computing centre was set up and the offices redesigned at the headquarters in Stuttgart.

IN THE CENIT GROUP (IFRS)

Capital expenditure on property, plant and equipment and intangible assets amounted to EUR 2,278 k in 2012 (prior year: EUR 4,179 k). Amortisation of intangible assets and depreciation of property, plant and equipment came to EUR 3,027 k (prior year: EUR 2,474 k).

Investments break down by segment as follows:

INVESTMENTS BY BUSINESS SEGMENT IN THE GROUP

in EUR k	2012	2011
EIM	726	730
PLM	1,552	3,449
Total	**2,278**	**4,179**

IN CENIT AG, GERMANY (HGB)

Capital expenditure on property, plant and equipment and intangible assets amounted to EUR 2,130 k in 2012 (prior year: EUR 2,074 k). Amortisation of intangible assets and depreciation of property, plant and equipment came to EUR 1,428 k (prior year: EUR 1,558 k).

Investments (in intangible assets and property, plant and equipment) break down by segment as follows:

in EUR k	2012	2011
EIM	723	724
PLM	1,407	1,350
Total	**2,130**	**2,074**

Investments were financed in full by the cash flow from operating activities.

FOREIGN EXCHANGE MANAGEMENT

The high level of volatility on the foreign exchange markets and the resulting uncertainty surrounding exchange rate developments only have a minor influence on CENIT. Among others, the business activities of the CENIT Group also generate cash in US dollars (USD), Swiss francs (CHF) and Japanese yen (JPY). CENIT is thus exposed to a certain currency risk, even though only relatively small portions of the Group’s income and sales are recorded in these foreign currencies. Risk management monitors and assesses the respective foreign exchange fluctuations and ensures hedging on a timely basis as needed. However, most billing is denominated in euro (EUR).

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE ACCOUNTING AND GROUP FINANCIAL REPORTING PROCESS, SEC. 315 (2) NO. 5 HGB (CENIT AG: SEC. 289 (5) HGB)

The main features of the internal control system and the risk management in place at CENIT in relation to the accounting and group financial reporting process can be described as follows:

There is a clear management and company structure at the Company and in the other group companies. The functions of the main areas in terms of the accounting and group financial reporting process, namely accounting and taxes, consolidation and controlling as well as investor relations, are clearly separated. The areas of responsibility are clearly allocated.

The financial systems used are protected from unauthorised access by corresponding IT systems. Standard software is used in the finance area in as far as possible. An appropriate system of guidelines ensures uniform treatment within the Company/Group and is constantly updated.

The departments and areas involved in the accounting/group financial reporting process are suitably equipped from both a quantitative and a qualitative perspective. Accounting data received or passed on are checked constantly for completeness and accuracy, e.g. by means of spot checks. The software used carries out programmed plausibility checks.

The principle of dual control is complied with for all accounting-related processes. In terms of the propriety and reliability of the internal accounting and external financial reporting, the corresponding supervisory committees (Supervisory Board) are in place.

The internal control and risk management system in relation to the accounting and group financial reporting process, the main features of which are described above, ensures that company matters are always recorded, compiled and evaluated correctly for accounting purposes and transferred to the accounting and financial reporting. Appropriate personnel capacities, the use of suitable software and clear statutory and internal company regulations provide the basis for an orderly, uniform and consistent accounting and financial reporting process. The clear demarcation of the areas of responsibility as well as various control and monitoring mechanisms ensure specific and responsible accounting. In detail, this ensures that business transactions are recorded, processed and documented in accordance with the statutory provisions, the articles of incorporation and bylaws as well as internal guidelines and that they are recorded correctly for accounting purposes and on a timely basis. At the same time it ensures that assets and liabilities are disclosed, recognised and valued accurately in the annual and consolidated financial statements and that reliable and relevant information is provided in full and on a timely basis.

DISCLOSURES PURSUANT TO THE ÜBERNRLUG [“ÜBERNAHMERICHTLINIE-UMSETZUNGSGESETZ”: GERMAN TAKEOVER DIRECTIVE IMPLEMENTATION ACT]

Sec. 315 (4) No. 1 HGB (CENIT AG: Sec. 289 (4) No. 1 HGB)

As per the most recent entry in the commercial register on 14 August 2006, the capital stock of the Company amounts to EUR 8,367,758.00 and has been fully paid in. It is divided into 8,367,758 no-par value shares of EUR 1.00 each. The shares are made out to the bearer and are all no-par value common shares. The rights and duties relating to possession of the common shares stem from the AktG.

Sec. 315 (4) No. 6 HGB (CENIT AG: Sec. 289 (4) No. 6 HGB)

The appointment and dismissal of Management Board members is regulated in Sec. 84 AktG. Furthermore, Article 7 Nos. 1 and 2 of the articles of incorporation and bylaws states that the Supervisory Board appoints the Management Board members and determines the number of Management Board members. Pursuant to Article 7 No. 1 of the articles of incorporation and bylaws, the Management Board comprises at least two persons.

The provisions to amend the articles of incorporation and bylaws are regulated in Secs. 133, 179 AktG. Additionally, Article 21 No. 1 of the articles of incorporation and bylaws states that resolutions of the shareholder meeting require a simple majority of the votes cast and, where required, the simple controlling interest, unless legal regulations or the articles of incorporation and bylaws prescribe otherwise. The Supervisory Board is entitled pursuant to Article 16 of the articles of incorporation and bylaws to make amendments to the articles of incorporation and bylaws that only affect the version.

Sec. 315 (4) No. 7 HGB (CENIT AG: Sec. 289 (4) No. 7 HGB)

Authorisation to acquire treasury shares and to resell treasury shares

Reversing the authorisation to acquire treasury shares dated 29 May 2009, the Management Board was authorised to purchase, with the approval of the Supervisory Board, the Company’s treasury no-par value shares (common shares) on behalf of the Company once or several times until 27 May 2015 for the purpose of redemption. The redemption does not require any further shareholder resolutions.

The Management Board was further authorised to purchase, with the approval of the Supervisory Board, the Company’s treasury no-par value shares (common shares) on behalf of the Company once or several times until 27 May 2015 for the purpose of resale. Upon resale, which is subject to approval by the Supervisory Board, the Management Board is authorised to carry out the following measures:

- Reselling via the stock exchange, whereby Sec. 71 (1) No. 8 Sentence 2 AktG remains unaffected
- Giving as counterperformance for the acquisition of companies or equity investments in companies if the business purpose of the target company essentially lies within the scope of the Company’s business purpose pursuant to Article 2 (1) of the articles of incorporation and bylaws; the Management Board can, with the approval of the Supervisory Board, preclude the shareholders’ statutory subscription rights.

The unit price (excluding incidental selling costs) at which the treasury shares are sold cannot fall materially below the average price of the Company's common shares on the Frankfurt stock exchange during the last five days prior to concluding the agreement on acquiring a company or an equity investment in a company, calculated on the basis of the arithmetic mean of the closing price of the Company's common shares on the XETRA platform (or a functionally comparable successor system taking the place of the XETRA system).

Based on the aforementioned authorisation, together with other treasury shares already purchased and still held by the Company, the Company can purchase a total maximum of treasury common stock that accounts for an arithmetical share of 10% of the Company's capital stock. The transaction value for a share (excluding incidental acquisition costs) cannot deviate from the share price by more than 10%. The authoritative share price is the average price of the Company's common shares on the Frankfurt stock exchange during the last five days prior to acquiring the shares, calculated on the basis of the arithmetic mean of the closing price of the Company's common shares on the XETRA platform (or a functionally comparable successor system taking the place of the XETRA system). In the event of redemption, the Supervisory Board is authorised to amend the version of the articles of incorporation and bylaws in accordance with the scope of the capital reduction.

Authorised capital

Reversing the authorisation dated 13 June 2006 to increase the capital stock, the Management Board was authorised, with the approval of the Supervisory Board, to increase the capital stock by up to EUR 4,183,879.00 in total by 25 May 2016 by issuing on one or more occasions new no-par value bearer shares in return for cash contributions and/or contributions in kind (authorised capital 2011). The number of shares must increase in direct proportion to the increase in capital stock. The shareholders must be given a subscription right. The new shares can also be assumed by one bank or by several banks with the obligation to offer them to the Company's shareholders for purchase.

However, the Management Board is authorised, with the approval of the Supervisory Board, to preclude the shareholders' statutory subscription right in the following cases:

a) The Management Board is authorised, with the approval of the Supervisory Board, to preclude any fractional shares from the shareholders' subscription right.

b) The Management Board is authorised, with the approval of the Supervisory Board, to preclude the shareholders' subscription right in the event of a capital increase in return for a contribution in kind if the contribution in kind is made with the purpose of acquiring companies, parts of companies and/or equity investments in companies or in the course of business combinations.

c) The Management Board is authorised, with the approval of the Supervisory Board, to preclude the shareholders' subscription right in the event of a capital increase in return for a cash contribution if the capital increases passed on the basis of this approval do not exceed a total of 10% of the existing capital stock as of the date of the resolution by the shareholder meeting or as of the date on which the approval is exercised, whichever is lower, and if the issue amount is not substantially less than the quoted market price. The maximum limit of 10% of the capital stock is reduced by the pro rata amount of the capital stock accounted for by those treasury shares of the Company that were sold during the term of the authorised capital with exclusion of the subscription right of the shareholders in accordance with Sec. 71 (1) No. 8 Sentence 5 AktG and Sec. 186 (3) Sentence 4 AktG.

The total number of shares issued based on this authorisation in return for cash contributions and contributions in kind with exclusion of the subscription right of the shareholders cannot exceed a pro rata amount of capital stock of EUR 1,673,551 (20% of current capital stock). The Management Board is authorised, subject to approval of the Supervisory Board, to decide on further details of the capital increase and the conditions of the share issue.

The Supervisory Board is authorised to adjust the version of Article 5 of the articles of incorporation and bylaws after partial or full implementation of the increase in capital stock in accordance with the respective utilisation of the authorised capital.

SEC. 289A HGB – CORPORATE GOVERNANCE STATEMENT

The Management Board and Supervisory Board of the Company have issued the corporate governance statement for 2012 prescribed by Sec. 289a HGB and have made it available on the homepage at: http://www.cenit.de/de/corporate/investor-relations/corporate-governance.html.

RISK REPORT

With a group-wide opportunities and risk management system, the Group identifies any risks at an early stage in order to assess them correctly and limit them to the extent possible. CENIT observes the risks continuously in order to always assess the probable overall status on a systematic and timely basis and to better judge the effectiveness of corresponding countermeasures. In doing so, the Group takes into account operational risks as well as financial, economic and market-related risks. Opportunities result from the complementary view of the operational and functional risk structure in all risk areas.

CENIT makes appropriate provision at an early stage for all recognisable and accountable risks. Currency risks and default risks are monitored systematically on the basis of guidelines that set out the fundamental strategy, the rules on the structure and organisation of procedures and competence rulings.

The Management Board of CENIT has installed a systematic risk management system. Operational risk management encompasses early warning, risk communication and the sustainability of risk control. Risk reporting means that the managers responsible for the business units inform the Management Board continuously of the current risk situation. Moreover, risks that occur suddenly and risk with implications for the Group as a whole are communicated directly to the risk managers responsible at CENIT in urgent cases, bypassing normal reporting channels. In accordance with the statutory provisions, the Management Board and the Supervisory Board of CENIT are informed in detail of the risk situation of the business divisions. These reports are supplemented with up-to-date notices as soon as risks change or no longer exist or if new risks emerge. This ensures a continuous flow of information to the Management Board and the Supervisory Board. Compliance with the risk management system by the group companies and their risk management is reviewed using internal quality inspections. The findings obtained in this manner are used for the further improvement of the early detection and controlling of risk.

CENIT is well positioned in its target markets. The Company has a strong market position in Product Lifecycle Management (PLM) and in Enterprise Information Management (EIM) with regard to medium-sized and larger customers. The risk policy is based on exploiting existing opportunities to the full and only entering into the risks associated with operating activities if the opportunities for creating corresponding added value outweigh the risks. The Group implements this concept by regularly and continuously identifying, assessing and monitoring risks in all material business transactions and processes. Risk management is part of company management and reporting takes place directly to the Management Board. The functioning of the system is examined at regular intervals. A risk inventory is also carried out regularly. The six-month or annual risk reporting documents and assesses the risks identified. An ad-hoc risk report is also available to ensure that action can be taken rapidly and informally. A detailed report on the status of the material risks to be monitored documents the assessment, the action taken and planned as well as the persons responsible.

The Management Board examines the classified risks together with the department heads and the employees responsible in that business unit. The Supervisory Board is also informed regularly of the risk situation.

The receivables portfolio may bear risks with respect to recoverability of the receivables (default risk). CENIT counters this risk by ensuring strict receivables management, credit ratings, requesting advance payments and classifying risks at an early stage.

The Group is not dependent on financing by commercial banks. Therefore, there is no liquidity ratio according to the Management Board. There were no lines of credit available to the subsidiaries in the USA, Switzerland, France, Romania or Japan, and none were required.

To secure and strengthen the competencies and the commitment of its executives, CENIT will continue to position itself as an attractive employer and strive to keep the executives in the Group for the long term. The elements of consistent management development include in particular creating opportunities, support and advice geared toward specific target groups, early identification and promotion of high-potential staff as well as attractive incentive systems for executives. CENIT employs specialists with several years of professional experience in all of its business units.

Expanding and maintaining the business brings with it entrepreneurial risks. Since the expansion of business is achieved through organic growth, however, these risks are transparent and manageable.

RISK MONITORING

Risk monitoring is the task of decentralised and centralised risk management. To do this, the decentralised risk manager defines early warning indicators for the critical success factors. The task of centralised risk management is to monitor the defined early warning indicators. As soon as the specified thresholds are met, a risk report is prepared by the decentralised risk manager, i.e. a forecast of the expected impact on CENIT if the risk occurs. Ideally these forecasts are supplemented with scenario analyses that take into account different constellations of data. Using this information and the measures proposed by the decentralised risk managers and the central risk management system, the Management Board decides whether and to what extent measures should be taken to mitigate the risk or whether it is perhaps necessary to adjust the corporate objectives. Tracking the early warning indicators and monitoring the corresponding threshold values as well as carrying out the scenario analyses is the responsibility of decentralised risk management.

Finally, it should be noted that the Company uses numerous management and control systems that are continually refined to measure, monitor and control risks. These include a uniform group-wide strategy, planning and budgeting process dealing mainly with opportunities and risks from operations. The risks identified and the risk management measures defined within the strategy, planning and budgeting process are monitored. Tracking and mitigating risks pays off, for example in the change request process for certainty as regards deadlines and technical risks. With large projects in particular, the certainty that the contract will be continued is checked.

Further growth and, in turn, lasting economic success are affected not just by the economic risks on global markets, but to a large extent also by the successful marketing of CENIT solutions and consultancy services as well as of the IT services. Among other things, this is to be achieved by expanding the Group’s own sales and consultancy know-how and by entering into strategic partnerships. Two thirds of the customers come from the manufacturing industry. Fluctuations in the business cycle in the manufacturing industry can, in some cases, have an impact the business situation. The Company has concluded insurance policies to cover potential cases of damage and liability risks and to ensure that the financial consequences of any potential risks are limited. The scope of these policies is regularly reviewed and adjusted if required. With respect to the necessary IT security, CENIT has also made extensive risk provision and continually develops this further.

RISKS RELATING TO FUTURE DEVELOPMENT

A review of the current risk situation has shown that there were no risks in the reporting period that jeopardised the continued existence of the Group as a going concern and that no such risks are foreseeable at present for the future. Provisions have been recorded for all recognised risks. Furthermore, as of the balance sheet date there are no other risks that could have a material impact on the net assets, financial position or results of operations. The risk management and early warning system makes transparent corporate governance and early detection of risks possible. Due to the fact that most purchase and sales contracts are denominated in euro and in light of the current financing structure, no use has currently been made of derivative financial instruments to hedge currency risks.

An overall analysis of risk shows that CENIT is primarily exposed to market risks. These mainly include price and quantity developments linked to the business cycle as well as the dependence on the development of key accounts or important industries. The Group is also dependent on the general economic situation, the development of which currently hinges on the events in the finance and banking sectors. There is also a risk in specialising with technology partners and the related dependence on their business development.

The risk of price erosion observed on the market is countered by means of high-quality service.

PROCUREMENT AND PURCHASING POLICY

CENIT trusts its partners and suppliers and expects fair and long-term cooperation. Performance, counterperformance and risks are appropriately balanced. Partners and suppliers are expected to participate in recognising potential for reducing costs. CENIT thus applies a purchasing policy that is precisely tailored to the specific requirements of each project.

CENIT's procurement staff members have a wealth of experience in the provision of goods and services for all customer projects. The Group works with reputable partners in procurement that are either market or industry leaders in their product area. Since procurement focuses primarily on the European market, foreign exchange risks are negligible. The cost of goods and purchased services amounted to EUR 46,044 k in 2012 in the CENIT Group (prior year: EUR 39,450 k) and to EUR 39,583 k (prior year: EUR 34,334 k) at CENIT AG, Germany. At EUR 88 k (prior year: EUR 326 k) in the CENIT Group as of year end, the inventory value and the amount of capital tied up as a result is kept at a low level thanks to project-based procurement. As of 31 December 2012, CENIT AG had work in process of EUR 440 k (prior year: EUR 1,501 k). This enables a flexible response to market requirements. The risk of inventories becoming obsolete is immaterial.

QUALITY ASSURANCE

In the field of business process consulting, CENIT wants to win customers with high-quality and economical solutions. By carrying out operating activities for the customer or at the customer, the Group wants to raise the efficiency of the processes it assumes. This also applies to own software solutions. The Group's motivation lies in exceeding customer objectives. As a result, continuous monitoring and improvement forms the basis for the quality management system. To achieve this goal, CENIT has designed its processes to meet these requirements. All employees are instructed to implement these processes and to constantly improve them by means of specified methodical procedures. The Group's success hinges on the satisfaction of its customers.

Together, the members of the Management Board of CENIT AG are responsible for managing the Group. Quality management is headed up by a member of the Management Board. This ensures that the Management Board has direct influence and control over the Group's quality management system and that any management errors can be detected and corrected immediately. The Management Board defines the corporate policies, strategy and objectives, while ensuring awareness and implementation at all levels of the Group. Furthermore, the Management Board determines the organisation and areas of responsibility, and provides the necessary financial and human resources.

Each year, management specifies detailed targets for the next year as well as a three-year plan as a guideline. The annual targets are then broken down at the level of the individual employees. Targets concerning monitoring and the continuous improvement of processes and the Group as a whole are defined in the respective process descriptions. The Management Board examines whether the agreed targets have been met or whether they have been missed or exceeded, and whether the process descriptions, laws and standards have been complied with.

Continuous improvement forms the basis of the quality management system. Each employee is required to make a contribution. The continuous improvement process allows potential for improvement to be identified, evaluated and implemented. The progress of the continuous improvement process is recorded and documented by the internal audits, which are performed on a regular basis. Measures and the persons responsible for implementing the measures are documented in the report. CENIT has documented quality management rules in a management manual. It takes account of the ISO 9001:2008 standards. In addition, CENIT has drafted and enforced key process descriptions applicable to the entire Group. These process descriptions are supplemented by laws and standards that the Company is bound to and must comply with. The employees are informed of current company developments at quarterly information events. These events also include mandatory division-wide training in the area of the process-oriented management system. The information required for day-to-day business is either communicated at regular meetings or during individual meetings. Open communication that is based on dialogue is valued.

In 2012, a system audit was performed by DQS (Deutsche Gesellschaft zur Zertifizierung von Managementsystemen), the German company for the assessment and certification of management systems. The inspection was successful and the certification according to DIN EN ISO 9001:2008 continues to be valid.

To ensure compliance with current safety standards, DQS installed a certified information safety management system. ISO 27001 is an internationally recognised standard and is a process-based approach for implementing, monitoring, checking, maintaining and improving an IS management system. Compliance with legal and contractual obligations, contingency management and risk management are also part of the certification. Annual monitoring audits as well as recertification audits every three years ensure compliance with the standard.

EMPLOYEES

BREAKDOWN OF EMPLOYEES BY LOCAL COMPANIES:

	31 Dec. 2012	31 Dec. 2011
CENIT AG	580	579
CENIT NA	31	29
CENIT CH	21	19
CENIT F	11	3
CENIT RO	29	24
CENIT J	3	3
CENIT Group	**675**	**657**

One focus of personnel work in 2012 was on extending and adjusting the existing welfare benefits for employees. In addition to the existing welfare benefits, a group accident insurance policy was concluded for the employees as of 1 September. In addition, voluntary special payments to be paid upon the death of an employee were defined and announced. Since 1 October 2012, the employees can apply for an employer-financed old-age pension. In addition to the welfare benefits, the area of health management was also extended. For example, a regular healthy living day was introduced, where employees receive free fruit and vegetables and can attend talks and get advice on nutrition and fitness. Another focus area was on recruiting highly qualified staff for CENIT AG in Germany and around the world.

The Group's total headcount as of 31 December 2012 stood at 675 (prior year: 657). CENIT AG, Germany, had 580 employees as of 31 December 2012 (prior year: 579). Personnel expenses in the reporting period came to EUR 47,456 k in the CENIT Group (prior year: EUR 45,457 k) and to EUR 41,035 k at CENIT AG (prior year: EUR 40,439 k). Over 75% of the employees have third-level qualifications. Employee turnover stood at around 10% (prior year: 8.7%). The Group continues to record a very low number of sick days. The average length of service was seven years with an average age of 40.6.

CENIT has been successfully training apprentices for years. The apprentices include students from the DHBW (Duale Hochschule Baden-Württemberg – University of Cooperation Education) in the areas of computer science and business and trainees in the IT field. In addition, the Group continuously hires university graduates as well as interns and students who are working on their undergraduate, masters or bachelors thesis. CENIT considers this to be part of its responsibility to society. It is important to the Group to make it easier for young people to start their career through qualified training. In 2012, CENIT AG in Germany had trained a total of 41 young people in various professions by the end of the year. The Group intends to increase this number further in the coming years.

ADVANCED TRAINING

CENIT offers a comprehensive advanced training program to raise the qualifications of its employees and prepare them for the ever-increasing requirements brought by innovation and market competition. A large number of employees took advantage of the various advanced training programmes and participated in courses and seminars in the reporting year in order to improve their qualifications. These focused on the topics of quality management, project management, certification for the products of the strategic software partners and training for executives.

REMUNERATION SYSTEM / PROFIT SHARING

Apart from performance-based career opportunities and assumption of responsibility at an early stage, CENIT offers all employees an attractive remuneration policy. Remuneration comprises a fixed salary, which is governed by individual employment agreements, and remuneration components that are partly based on earnings and on targets.

The remuneration system for the Management Board of CENIT AG comprises a profit-based component and a component that is independent of profit. The profit-based part is based on the Group’s earnings for the year. Reference is made to the comments in the notes.

Pursuant to the articles of incorporation and bylaws, the Supervisory Board receives fixed compensation. Each member of the Supervisory Board receives a fixed amount of EUR 15,000.00 payable after the end of the fiscal year. The chairperson of the Supervisory Board receives twice that amount, while the deputy chairperson receives one and a half times that amount.

RESEARCH AND DEVELOPMENT

The Group’s aim is to further enhance its innovative power. For this reason, CENIT raised its R&D expenses to EUR 6,394 k in the fiscal year 2012. The business units of CENIT focus their R&D efforts on the next generation of their products and solutions and prepare for their successful market launch. The close cooperation with the product and client-facing business units as well as an intensive exchange also allows CENIT to offer customised technical solutions.

In addition to selling standard software, the CENIT Group develops its own programs to supplement and extend standard software. The Group’s software solutions are based on products from Dassault Systèmes, such as the PLM software CATIA, ENOVIA or DELMIA, or on IT solutions from IBM and SAP. CENIT solutions supplement this standard software with important functions that afford increased productivity or improved data quality at its customers. As a result, some products enable a seamless design of business processes, consistent storage of data and early simulations of the process steps. The CENIT Group offers more than 20 solutions in total from the business units.

Innovation is progress. Consequently, research and development are of central importance for the further development and achievement of the Group’s objectives. CENIT’s activities in this area are constantly being expanded. At the same time, this enhances CENIT's position in relation to its competitors. A marginal rise in innovation costs are expected once again in the fiscal year 2013.

SUBSEQUENT EVENTS

At the time of preparing this report, there were no particular events that could have had a material influence on the net assets, financial position and results of operations of the Company or the Group.

FORECAST FOR 2013

After two boom years, the German economy experienced much weaker growth in 2012 and had to suffer the consequences of the debt crisis in Europe. Growth dwindled to just 0.7%. In particular after the negative growth in the fourth quarter of 2012, very modest growth of less than 1.0% is expected for 2013. According to BITKOM, the ITC industry itself is confident about 2013 and expects sales to rise.

The economic institutes are cautious about the accuracy of their forecasts on account of the many uncertainties that prevail. Based on these expectations, the picture for CENIT is as follows:

EXPECTED RESULTS OF OPERATIONS

CENIT has a solid basis with an equity ratio in excess of 50%. CENIT needs its healthy balance sheet structure in order to be a strong and reliable partner to its customers.

The general economic situation in Germany is currently neutral, but developments at an international level – particularly in the euro zone – are negative. CENIT's corporate strategy is designed for sustainability, which appears appropriate in the current economic environment. But when the situation allows, the Group will also invest in growth that is not organic.

The Group's aim is to grow further in all segments. After the excellent year in 2012, CENIT expects earnings to remain at the prior-year level in light of the gloomier general economic situation. From a current perspective, CENIT is expecting sales growth of approximately 3% for the fiscal year 2013 as a whole, with earnings (EBIT) remaining stable within the Group. The individual segments will be in line with the overall development. Higher growth rates are expected in the following year, fiscal 2014. It should be noted that the growth forecast depends heavily on the further economic development in Germany and in the target markets around the world, as well on customers' willingness to invest.

CENIT AG expects sales and earnings to develop in line with the Group in the year 2013 and 2014. The Company is using its own products and solutions to cover a market that is currently very significant. Developments have to be implemented more and more quickly, and existing processes have to be optimised on a constant basis. This is exactly where CENIT AG supports its customers. CENIT AG's products are competitive and are subject to constant further development. CENIT AG's employees are competent and possess a high level of technical understanding as well as excellent industry knowledge. With their know-how and their customer gearing, they are essential for the success of CENIT AG.

The following factors should contribute to the sales and earnings targets: In addition to winning new customers, the focus is chiefly on growth in the relevant market segments for CENIT. As was already the case in 2012, 2013 will also see a special focus on further alignment in software development. In order to be competitive on this market in the long term, it is essential to act innovatively and to integrate new technologies in development. In this way, the Company wants to raise its share of its own software in earning in the long term. The cooperation with the partners Dassault Systèmes, IBM and SAP will be continued on a lasting basis in order to position the Group as a long-term strategic partner. In addition, further partnerships were entered into, specifically for the digital factory and ECM areas. All of these partnerships allow CENIT to further expand its position on the PLM market. In the area of EIM, the partnerships provide opportunities in the growing public sector and in administration, but also with financial services providers.

EMPLOYEES

The personnel expenses will be adjusted in accordance with growth. In 2013, the Group is searching for more skilled staff for various areas, as the demand is there. CENIT has been successfully training apprentices for years, and training young people is still very important to the Company. One development in this area is that since this year the Company is offering the additional course of industrial engineering as a dual study programme. In 2013 alone, CENIT will hire up to 25 new trainees and students on the dual study programme from all disciplines. This number is higher than ever before. Apprenticeships are a component of the long-term personnel policy and the social responsibility toward the young people in our country. The Company is a little concerned by the labour market situation in Germany, particularly with regard to computer scientists and engineers. It is becoming more and more difficult to recruit very well trained people.

EXPECTED FINANCIAL POSITION AND LIQUIDITY

CENIT's liquidity is very healthy, both in the separate financial statements and at group level. The Group's financial situation gives it a competitive edge in tenders and planned projects. It gives CENIT's customers the security they require for their investment decisions.

The CENIT Group's financing is on a secure basis. The finance policy has been conservatively managed for years now, and this is reflected in the continued strong and long-term credit rating as well as the short-term and medium-term provision of sufficient liquidity for a positive development of the Group. The investments in 2013 will be at a similar level to 2012, perhaps at a somewhat lesser level. They will be funded by cash flow from operating activities. A similar pattern is expected for 2014.

The liquidity lost by paying a dividend can be funded from existing cash and cash equivalents and from the expected cash flow from operating activities in 2013.

Stuttgart, 28 February 2013

CENIT Aktiengesellschaft

The Management Board

Kurt Bengel	Matthias Schmidt
Spokesman of the Management Board	Member of the Management Board

Group Financial Statement

CENIT Aktiengesellschaft, Stuttgart
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in accordance with IFRS)
for the period from 1 January to 31 December 2012

in EUR k		31 Dec.2012	31 Dec. 2011
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	F1	4,078	5,550
Property, plant and equipment	F2	3,167	2,451
Investments in associates	F3	54	54
Income tax receivable	F9	328	403
Other financial assets at fair value through profit or loss	F8	2,000	2,000
Deferred tax assets	F4	54	49
NON-CURRENT ASSETS		**9,681**	**10,507**
CURRENT ASSETS			
Inventories	F5	88	326
Trade receivables	F6	16,398	17,496
Receivables from associates	F6	3,502	3,946
Current income tax assets	F9	454	452
Other receivables	F7	162	147
Other financial assets at fair value through profit or loss	F8	0	966
Cash and cash equivalents	F10	23,779	18,135
Prepaid expenses	F11	4,936	4,443
CURRENT ASSETS		**49,319**	**45,911**
TOTAL ASSETS		**59,000**	**56,418**

CENIT Aktiengesellschaft, Stuttgart
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in accordance with IFRS)
for the period from 1 January to 31 December 2012

in EUR k		31 Dec. 2012	31 Dec. 2011
EQUITY AND LIABILITIES			
EQUITY			
Subscribed capital	F12	8,368	8,368
Capital reserves	F12	1,058	1,058
Currency translation reserve	F12	262	321
Legal reserve	F12	418	418
Other revenue reserves	F12	13,537	12,245
Retained earnings	F12	11,005	9,796
TOTAL EQUITY		**34,648**	**32,206**
NON-CURRENT LIABILITIES			
Other liabilities	F15	1,404	759
Deferred tax liabilities	F4	939	1,586
NON-CURRENT LIABILITIES		**2,343**	**2,345**
CURRENT LIABILITIES			
Trade payables	F14	4,156	3,624
Liabilities to associates	F14	20	217
Other liabilities	F15	10,237	13,301
Current income tax liabilities	F13	1,540	706
Other provisions	F13	166	245
Deferred income	F11	5,890	3,774
CURRENT LIABILITIES		**22,009**	**21,867**
TOTAL EQUITY AND LIABILITIES		**59,000**	**56,418**

CENIT Aktiengesellschaft, Stuttgart
CONSOLIDATED INCOME STATEMENT (in accordance with IFRS)
for the period from 1 January to 31 December 2012

in EUR k				1 Jan. 2012 – 31 Dec. 2012	1 Jan. 2011 – 31 Dec. 2011
1.	**REVENUE**	**E1**		**118,854**	**107,840**
2.	Increase/decrease in inventories of work in process			-4	-82
	Total operating performance			**118,850**	**107,758**
3.	Other operating income	E3		773	1,162
	Operating performance			**119,623**	**108,920**
4.	Cost of materials	E4	46,044		39,450
5.	Personnel expenses	E5	47,456		45,457
6.	Amortisation of intangible assets and depreciation of property, plant and equipment	F1+F2	3,027		2,474
7.	Other operating expenses	E7	15,079		15,277
				111,606	102,658
	NET OPERATING INCOME			**8,017**	**6,262**
8.	Other interest and similar income	E8	154		254
9.	Interest and similar expenses	E8	60		13
				94	241
	RESULT FROM ORDINARY ACTIVITIES			**8,111**	**6,503**
10.	Income taxes	E10		2,692	2,151
11.	**NET INCOME OF THE GROUP FOR THE YEAR**			**5,419**	**4,352**
12.	thereof attributable to the shareholders of CENIT AG			5,419	4,352
	Earnings per share in EUR				
	basic	E11		0.65	0.52
	diluted	E11		0.65	0.52

CENIT Aktiengesellschaft, Stuttgart **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in accordance with IFRS)**			
in EUR k		1 Jan. 2012 – 31 Dec. 2012	1 Jan. 2011 – 31 Dec. 2011
Net income for the year		**5,419**	**4,352**
Other comprehensive income			
Currency translation reserve of foreign subsidiaries	-59		167
Actuarial gains/losses from defined benefit obligations and similar obligations	-516		-128
Deferred taxes recognised on other comprehensive income	108		33
Other comprehensive income after tax		**-467**	**72**
Total comprehensive income		**4,952**	**4,424**
thereof attributable to the shareholders of CENIT AG		4,952	4,424

CENIT Aktiengesellschaft, Stuttgart
STATEMENT OF CHANGES IN EQUITY (in accordance with IFRS)
as of 31 December 2012

in EUR k	Subscribed capital	Capital reserves	Currency translation reserve	Revenue reserves		Retained earnings	Total
				Legal reserve	Other reserves		
As of 31 December 2010	**8,368**	**1,058**	**154**	**418**	**11,740**	**7,299**	**29,037**
Total comprehensive income			167		-95	4,352	4,424
Allocation to other revenue reserves					600	-600	0
Dividend distribution						-1,255	-1,255
As of 31 December 2011	**8,368**	**1,058**	**321**	**418**	**12,245**	**9,796**	**32,206**
Total comprehensive income			-59		-408	5,419	4,952
Allocation to other revenue reserves					1,700	-1,700	0
Dividend distribution						-2,510	-2,510
As of 31 December 2012	**8,368**	**1,058**	**262**	**418**	**13,537**	**11,005**	**34,648**

CENIT Aktiengesellschaft, Stuttgart **CONSOLIDATED STATEMENT OF CASH FLOWS** **(in accordance with IFRS)** **for the period from 1 January to 31 December 2012**		
in EUR k	2012	2011
Cash flow from operating activities		
Earnings before interest and taxes	8,017	6,262
Adjusted for:		
Amortisation of intangible assets and depreciation of property, plant and equipment	3,027	2,474
Gains (-) and losses (+) on disposals of non-current assets	1	3
Incidental acquisition cost of shares in fully consolidated entities	0	50
Other non-cash income and expenses	-16	0
Increase/decrease in other non-current assets and liabilities and provisions	129	-1,088
Interest paid	-60	-13
Interest received	154	254
Income tax paid	-2,328	-1,152
Net operating income before changes in net working capital	**8,924**	**6,790**
Increase/decrease in trade receivables and other current non-cash assets	988	-695
Increase/decrease in inventories	238	308
Increase/decrease in other financial assets held for trading that are not attributable to cash and cash equivalents	966	0
Increase/decrease in current liabilities and provisions	-672	1,863
Net cash flows from operating activities	**10,444**	**8,266**
Cash flow from investing activities		
Purchase of property, plant and equipment and intangible assets	-2,278	-2,229
Purchase of shares in fully consolidated entities (net cash outflow)	0	-1,035
Income from the sale of property, plant and equipment	6	6
Change in other financial assets that are not attributable to cash and cash equivalents	0	1,000
Net cash paid for investing activities	**-2,272**	**-2,258**
Cash flow from financing activities		
Dividends paid to shareholders	-2,510	-1,255
Net cash paid for financing activities	**-2,510**	**-1,255**
Net increase / decrease in cash and cash equivalents	**5,662**	**4,753**
Change in cash and cash equivalents due to foreign exchange differences	-18	76
Cash and cash equivalents at the beginning of the reporting period	18,135	13,306
Cash and cash equivalents at the end of the reporting period	**23,779**	**18,135**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2012

A. Commercial register and purpose of the Company

The parent company of the Group, CENIT Aktiengesellschaft, has its registered office at Industriestrasse 52-54, 70565 Stuttgart, Germany, and is filed in the commercial register of Stuttgart district court, department B, under No. 19117. The shares of CENIT AG are publicly traded.

The business purpose of the group entities is to provide all types of services in the field of introducing and operating information technology and to sell and market information technology software and systems. With a focus on product life cycle and document management solutions and IT outsourcing, CENIT's two business units PLM (Product Lifecycle Management) and EIM (Enterprise Information Management) offer tailored consultancy services from a single source. CENIT's focus is on business process optimisation and computer-aided design and development technologies.

B. Accounting policies

The consolidated financial statements of CENIT Aktiengesellschaft, Stuttgart, are prepared and published in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code], and are released by the Management Board to the Supervisory Board for approval. The consolidated financial statements are thus authorised for publication. This will take place on 2 April 2013.

The consolidated financial statements are prepared in euro. To aid clarity, all figures are presented in thousands of euro (EUR k) unless otherwise indicated. The end of the reporting period is 31 December of any given year.

For the classification for the statement of financial position, a distinction is made between current and non-current assets and liabilities; in the notes, they are broken down in detail by their term to maturity in some cases. The income statement is classified using the nature of expense method.

The consolidated financial statements have been prepared on the basis of historical cost (acquisition cost principle) apart from financial assets that are held for trading or are classified on initial recognition as financial assets at fair value through profit or loss and are thus reported at fair value.

The annual financial statements of the entities included in the consolidated financial statements have been prepared on the basis of the parent company's uniform accounting policies as of the end of its reporting period.

Amended or new IFRSs issued by the EU and the resulting reporting, recognition and measurement changes

Compared with the consolidated financial statements as of 31 December 2011, the following standards and interpretations were mandatory for the first time but did not have any material relevance for the CENIT Group from a current perspective:

- IFRS 7 Financial Instruments: Disclosures – Transfers of financial assets (amendment)

No new standards become mandatory in the reporting period that were relevant for the CENIT Group.

Outlook on IFRS amendments

The following IFRSs adopted by the EU were issued by the end of the reporting period but are not mandatory until later reporting periods. The CENIT Group decided not to early adopt the standard and interpretations that are not mandatory until later reporting periods. The Group is currently still assessing the potential impact of the amendments.

Amendment/standard	Date of publication	Date of transposition into EU law	Effective date
Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)	16 June 2011	5 June 2012	1 July 2012
Amendments to IAS 19 Employee Benefits	16 June 2011	5 June 2012	1 January 2013
IFRS 10 Consolidated Financial Statements	12 May 2011	11 December 2012	1 January 2014
IFRS 11 Joint Arrangements	12 May 2011	11 December 2012	1 January 2014
IFRS 12 Disclosures of Interests in Other Entities	12 May 2011	11 December 2012	1 January 2014
IFRS 13 Fair Value Measurement	12 May 2011	11 December 2012	1 January 2013
IAS 27 Separate Financial Statements	12 May 2011	11 December 2012	1 January 2014
IAS 28 Investments in Associates and Joint Ventures	12 May 2011	11 December 2012	1 January 2014
Deferred tax: Recovery of Underlying Assets (Amendments to IAS 12)	20 December 2010	11 December 2012	Beginning of the first reporting period commencing on or after the effective date of the regulation*
Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters (Amendments to IFRS 1)	20 December 2010	11 December 2012	Beginning of the first reporting period commencing on or after the effective date of the regulation*
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	16 December 2011	13 December 2012	1 January 2013

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	16 December 2011	13 December 2012	1 January 2014
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	19 October 2011	11 December 2012	1 January 2013

* The regulation enters into force on the third day following that of its publication in the Official Journal of the European Union. Publication in the Official Journal took place on 29 December 2012.

Changes in the presentation of the consolidated financial statements

The accounting policies used in the prior year have been used without change to prepare the consolidated financial statements.

C. Consolidation principles

1. Consolidation principles and basis of consolidation

The consolidated financial statements include the financial statements of the parent and of the entities it controls (its subsidiaries).

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control by the parent ceases.

The Group's investment in the associate is accounted for using the equity method of accounting.

Intercompany sales, income and expenses and all intercompany receivables and liabilities were eliminated.

The following entities have been included in the consolidated financial statements of CENIT AG in accordance with IAS 27 or IAS 28 respectively:

No.	Entity	Currency	%	from	Sub-scribed capital LC k	Date of purchase accounting
1	CENIT AG Stuttgart, Germany	EUR	---	---	8,368	Parent
2	CENIT (Schweiz) AG Effretikon, Switzerland	CHF	100	1	500	26 October 1999
3	CENIT NORTH AMERICA Inc. Auburn Hills, USA	USD	100	1	25	29 November 2001
4	CENIT SRL Iasi, Romania	RON	100	1	344	22 May 2006
5	CENIT FRANCE SARL Toulouse, France	EUR	100	1	10	26 April 2007
6	CENIT Japan K.K. Tokyo, Japan	YEN	100	1	34,000	13 May 2011
7	CenProCS AIRliance GmbH Stuttgart, Germany	EUR	33.3	1	150	16 November 2007

2. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The goodwill resulting from the acquisition of a subsidiary of an entity under common control is initially measured at cost, being the excess of the cost of the business combination over the Group’s share in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities. In subsequent periods, goodwill is measured at cost less all accumulated impairment losses. If the acquirer’s share in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of acquiring the company, the excess amount remaining after reassessment is recognised in profit or loss. There is no goodwill in the consolidated financial statements.

3. Investment in an associate

CENIT AG has held a 33.33% investment in an associate, CenProCS AIRliance GmbH (CenProCS), since 16 November 2007. A contractual agreement has been signed by the shareholders, CENIT AG Stuttgart, PROSTEP AG Darmstadt and CS SI LePlessis Robinson, France, on the provision of packaged services by the shareholders in the area of information technology as well as the coordination and marketing of these services.

The CENIT Group accounts for its investment in CenProCS using the equity method. Under the equity method, the investment in CenProCS is carried in the statement of financial position at cost plus post-acquisition changes in the CENIT Group’s share of net assets of CenProCS. During formation of the entity, CENIT AG made a cash contribution of EUR 50 k.

The income statement reflects the CENIT Group’s share of CenProCS’s profit. Where there has been a change recognised directly in equity, the Group recognises its share of such changes and discloses this, when applicable, in the statement of changes in equity. Gains and losses on transactions between the Group and the associate are eliminated in proportion to the investment in CenProCS.

The financial statements of CenProCS are prepared with the same end of the reporting period as the financial statements of the parent. Where necessary, adjustments are made to comply with the Group’s uniform accounting policies.

After application of the equity method to the CENIT Group’s investment in CenProCS, the parent company determines whether it is necessary to recognise an additional impairment loss on the investment. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the investment in CenProCS and the acquisition cost and recognises the amount in the income statement.

4. Foreign currency translation

The presentation currency is the parent company’s functional currency. The functional currency concept is applied to translate the financial statements prepared in foreign currency by the entities included in the consolidated group. The functional currency of the group entities is their respective local currency. Financial statements prepared in functional currency are translated to the Group’s presentation currency using the modified closing rate method. Assets and liabilities are translated at the closing rate, while equity is translated at the historical rate and income and expenses at the annual average rate.

The difference arising from translation of the individual financial statements is recognised directly in equity. When subsidiaries are sold, the exchange differences recognised in equity relating to these entities are released to profit or loss.

Foreign currency transactions are generally translated at the current rate of the transaction date. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the annual closing rate. Non-monetary items that were measured at their historical cost are translated at the rate of the transaction date, while non-monetary items that were measured at their fair value are translated at the rate which was current at the time the fair value was determined. Differences arising from currency translation at closing rates are recognised in profit or loss.

The following exchange rates were used for currency translation:

in EUR	Closing rate		Annual average rate	
	31 Dec. 2012	31 Dec. 2011	2012	2011
CHF	1.2072	1.2156	1.2053	1.2326
USD	1.3194	1.2939	1.2848	1.3920
RON	4.4445	4.3233	4.4593	4.2391
YEN	113.61	100.20	102.49	110.96

D. Accounting principles

Purchased intangible assets are stated at amortised cost including incidental acquisition cost. They are reduced by amortisation over the expected useful life, usually three years, using the straight-line method.

In the case of intangible assets acquired in connection with a business combination, the acquisition costs of the intangible assets are equal to their fair value. They are reduced by amortisation over the expected useful life using the straight-line method. The useful life of the identified customer base is seven or ten years and for other intangible assets generally three years.

As of the end of both reporting periods, the statement of financial position did not include any intangible assets with an indefinite useful life.

Internally generated intangible assets are not capitalised due to non-fulfilment of the cumulative criteria in IAS 38.57. Non-capitalisable development costs were expensed.

Property, plant and equipment is recognised at cost, net of accumulated straight-line depreciation and/or accumulated impairment losses. Maintenance costs are recorded directly as expenses. Items of property, plant and equipment are depreciated on the basis of their estimated useful lives. The useful life of plant and machinery is three to five years, and five to ten years for furniture and fixtures. Buildings on the Group’s premises are depreciated over a period of 33 years, or 8 to 15 years for land improvements. Buildings on third-party land (leasehold improvements) are depreciated over the terms of the lease agreements. No material residual values had to be considered when determining depreciation.

Residual values, depreciation and amortisation methods and the useful life of property, plant and equipment and intangible assets are reviewed annually and adjusted if changes take place. Any changes required are taken into account prospectively as changes in estimates.

Intangible assets or property, plant and equipment are derecognised either upon disposal or when no further economic benefits are expected from their further use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period in which the asset is derecognised in the items for other operating income or other operating expenses.

An **impairment test** is performed at the end of each reporting period for all intangible assets and property, plant and equipment if events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in profit or loss for items of property, plant and equipment and intangible assets carried at cost. The recoverable amount is the higher of an asset's net selling price and its value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties less costs to sell. The amount obtainable from the sale is determined based on market prices, valuation multipliers or other indicators available. Value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is estimated for each individual asset or, if that is not possible, for the cash-generating unit.

A reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or could have decreased. The reversal is posted as a gain in the income statement. The increased carrying amount cannot exceed the carrying amount that would have been determined, net of amortisation or depreciation, if no impairment loss had been recognised for the asset in prior years.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an estimate of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

a) there is a change in contractual terms, other than a renewal or extension of the arrangement

b) a renewal option is exercised or extension granted, unless the terms of the renewal or extension were already initially included in the lease term

c) there is a change in the determination of whether fulfilment is dependent on a specified asset, or

d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting commences or ceases:

from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and

at the date of renewal or extension period for scenario b).

Operating lease payments are recognised as an other operating expense in the income statement on a straight-line basis over the lease term. There were no finance leases in the reporting period. In addition, the Group does not act as a lessor.

Financial instruments

Pursuant to IAS 39, a financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include in particular cash and cash equivalents, trade receivables and other loans and receivables originated by the entity, held-to-maturity investments and primary and derivative financial instruments held for trading. Financial liabilities generally give rise to the right to receive settlement in cash or another financial asset. Financial instruments are recognised as soon as CENIT becomes party to the contractual provisions of the financial instrument.

Investments and other financial assets

Financial assets as defined by IAS 39 are broken down into financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. All financial assets are recognised initially at fair value plus, in the case of investments which are not at measured fair value through profit or loss, any transaction costs directly attributable to the purchase of the financial asset. The Group determines the classification of its financial assets upon initial recognition and, where allowed and appropriate, reassesses this designation at the end of each reporting period.

The classification depends on the nature and purpose of the financial asset and is generally designated upon addition.

The classification of financial assets into measurement categories is determined after initial recognition. Where permissible, any reclassifications deemed necessary are performed at the end of the reporting period.

Regular way purchases and sales of financial assets are recognised as of the trading date, i.e. the date on which the entity entered into the obligation to purchase the asset (“trade date accounting”). Regular way purchases or sales are purchases or sales of financial assets that require delivery of the asset within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

The category of financial assets at fair value through profit or loss includes financial assets held for trading and financial assets classified upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near future. Derivative financial instruments are also classified as held for trading unless they are designated as a hedging instrument and are effective as such. Gains or losses on financial assets held for trading are recognised in profit or loss. The net gain or loss recognised includes any dividends and interest of the financial asset.

Financial assets held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity if the Group intends and is able to hold these to maturity.

Investments intended to be held for an indefinite period are not included in this category. Other non-current investments that are intended to be held to maturity are measured at amortised cost. Amortised cost is the amount at which a financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount determined using the effective interest method. This calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. For investments carried at amortised cost, gains and losses are recognised in net profit or loss for the period when the investments are derecognised or impaired, as well as through the amortisation process. No such financial instruments are currently held by the Group.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in net profit or loss for the period when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as one of the three categories above. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, and any gain or loss is recognised in a separate item under equity. On derecognition of the investment or identification of impairment, any cumulative gain or loss that had previously been recognised directly in equity is recognised in profit or loss.

For financial instruments that are actively traded in organised financial markets, fair value is determined by reference to bid prices quoted on a stock exchange at the close of business at the end of the reporting period. The fair value of investments for which there is no active market is determined by the Group's banks using generally accepted valuation methods. Such methods are based on recent regular way transactions or on the current market value of another instrument which is essentially the same instrument or an analysis of the discounted cash flows and option pricing models.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual rights to receive cash flows from the financial asset have expired or the financial asset and substantially all the risks and rewards of the asset are transferred to a third party. If the Group has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group recognises an asset to the extent of the Group's continuing involvement in the asset and a corresponding liability for any consideration that the Group could be required to pay. If the Group retains substantially all risks and rewards of a transferred financial asset, the Group continues to recognise the financial asset and a secured loan for the consideration received.

Financial liabilities are derecognised when the obligations specified in the contract have been discharged, cancelled, or have expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Impairment of financial assets

The Group assesses at the end of each reporting period whether a financial asset or group of financial assets is impaired. Any impairment losses as a result of fair value falling short of the carrying amount are recognised in profit or loss.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (with the exception of future credit defaults) discounted at the original effective interest rate of the financial asset (i.e. the interest rate determined upon initial recognition). The carrying amount of the asset is reduced either directly or by using an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in profit or loss provided the carrying amount of the asset at the time of reversal does not exceed amortised cost.

Trade receivables, which generally have 30 to 90 day terms, are recognised at the original invoice amount less an allowance for any uncollectible amounts. An impairment loss is recognised if there is objective evidence that the Group will not be able to collect the receivable. Receivables are written off as soon as they become uncollectible. Credit risks are taken into account through adequate specific valuation allowances.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount is recognised in equity for the difference between its cost (net of any principal repayment and amortisation) and current fair value less any impairment loss on that asset previously recognised in profit or loss. Reversals of impairment losses on equity instruments classified as available-for-sale are not recognised in the profit or loss for the period. Reversals of impairment losses on debt instruments are recognised in profit or loss if the increase in the instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Derivative financial instruments are generally used to increase the return on investment and for hedging purposes. These derivative financial instruments are initially carried at the fair value on the date on which the relevant contract was concluded and are then subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

If derivative financial instruments do not satisfy the criteria for hedge accounting, any gains or losses from changes in fair value are immediately recognised in profit or loss.

The **inventories** reported are measured at the lower of cost and net realisable value. Costs of conversion are determined on the basis of full production-related costs. Net realisable value is the estimated sales proceeds less estimated costs of completion and the estimated costs necessary to make the sale.

Cash and short-term deposits in the statement of financial position comprise cash on hand, bank balances and short-term deposits with an original maturity of less than three months.

Pension obligations and similar obligations result from obligations to employees. The amounts payable in connection with defined contribution plans are expensed as soon as the obligation to pay arises, and reported as personnel expenses. Prepayments of contributions are capitalised to the extent that these prepayments will lead to repayment or a reduction in future payments.

The LOB pension plans in place in Switzerland qualify as defined benefit plans in accordance with IAS 19 due to the statutory minimum interest and conversion rate guarantees. The cost of providing benefits under these benefit plans is determined using the projected unit credit method. The Group recognises actuarial gains and losses in full in other comprehensive income in the period in which they occur. Such actuarial gains and losses are also immediately recognised in revenue reserves and are not reclassified to profit or loss in subsequent periods. The plan assets available to cover the pension obligations are offset against the pension obligations in accordance with the rules in IAS 19.

Financial liabilities

Financial liabilities are classified either as financial liabilities at fair value through profit or loss or as other financial liabilities.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised in profit and loss.

Other financial liabilities are initially recognised at fair value less transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expenses recognised based on the effective interest rate. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expenses to the respective periods.

Provisions are reported at the best estimate of the amount required to settle the obligation. They are created for legal or constructive obligations resulting from past events when it is probable that the settlement of the obligation will lead to an outflow of resources and the amount of the obligation can be reliably estimated. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to the provision is presented in the income statement net of any reimbursement. Provisions are discounted where the effect of discounting is material. The discount rate chosen is a pre-tax rate that reflects the risks specific to the liability. Discount rate adjustments are recorded as an interest expense.

Liabilities are disclosed in the notes to the financial statements as **contingent liabilities** for possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities can arise from a present obligation that results from past events but is not recognised because

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or
- the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability is not disclosed if the possibility of an outflow of resources embodying economic benefits is remote.

Government grants in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance are only reported when there is sufficient guarantee that the associated conditions will be satisfied and the grants issued. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Among others, grants related to personnel expenses are offset against expenses in the period in which they are granted.

Current tax assets and liabilities

Current tax assets and liabilities for the current and prior periods should be measured at the amount expected to be recovered from or paid to the taxation authorities. The current tax expense is determined on the basis of the taxable income for the year. Taxable income differs from the net profit taken from the consolidated income statement in that it does not include expenses and income that are never taxable or tax deductible or only taxable or tax deductible in later years. The calculation is based on the tax rates and tax laws applicable as of the end of the reporting period.

Deferred taxes are recorded on temporary differences between the tax base and the carrying amount in the consolidated financial statements according to the balance-sheet-oriented liability method described in IAS 12.

Deferred tax liabilities are recognised for all taxable temporary differences. The following are exceptions to this rule:

- The deferred tax liability arising from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither profit or loss for the period nor the taxable profit cannot be recognised.
- The deferred tax liability arising from taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures cannot be recognised if the entity controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax losses and unused tax assets can be utilised. The following are exceptions to this rule:

- Deferred tax assets relating to deductible temporary differences arising from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither profit or loss for the period nor the taxable profit cannot be recognised
- Deferred tax assets relating to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures can only be recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of the deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realised.

Deferred taxes on temporary differences are calculated at a uniform group-wide tax rate that is expected to apply for the period when the asset is realised or the liability is settled. Deferred tax assets and deferred tax liabilities are calculated according to the laws and regulations applicable as of the end of the reporting period or substantively enacted at the end of the reporting period.

Deferred tax assets are only recognised on unused tax losses to the extent that it is probable that future taxable income will be available for offsetting. The carrying amount of the deferred tax assets is reviewed for impairment as of the end of every reporting period and reduced by the amount for which sufficient tax profits are no longer likely to be available.

Income tax implications related to the items posted directly to equity are also recorded directly under equity.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets and current tax liabilities and these relate to income taxes levied by the same taxation authority on the same taxable entity.

Value added tax (VAT)

Revenue, expenses and assets are recognised net of VAT. The following are exceptions to this rule:

- where the VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of the asset or as part of the expense item as applicable
- where receivables and liabilities are stated with the amount of VAT included.

The amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration. In addition, the following conditions must be satisfied in order for revenue to be recognised:

Sale of goods and provision of services

Revenue is reported net of VAT and after deduction of any rebate or discount granted. Sales are recognised as revenue on the date of delivery to the customer. Income received for the provision of services is recognised in accordance with the rules in IAS 18 in conjunction with IAS 11 Construction Contracts.

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract should be recognised as part of the contract costs incurred for the work in relation to the expected contract costs by reference to the stage of completion of the contract activity at the end of the reporting period. Changes to contracted work, claims and bonus payments are included to the extent that they are agreed with the customer. If the outcome of a construction contract cannot be measured reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. If it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. An expected loss on a construction contract is recognised as an expense immediately as soon as this loss is probable.

Royalties

Revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Time-based usage fees are recognised on a straight-line basis over the term of the agreement.

Dividends and interest income

Dividend income is recognised when the Group's right to receive the payment is established.

Income is recognised as the interest accrues (using the effective interest method, i.e. the rate used to discount estimated future cash flows over the expected life of the financial instrument to the net carrying amount of the financial asset). Interest paid or received is disclosed as interest income and interest expenses.

Significant accounting judgments, assumptions and estimates

According to the opinion of the Management Board, the following judgments had the most significant effect on the amounts recognised in the consolidated financial statements.

- It is not permissible to recognise research costs as assets. Development costs may only be recognised as an asset if all of the conditions for recognition pursuant to IAS 38.57 are satisfied, if the research phase can be clearly distinguished from the development phase and material expenditure can be allocated to the individual project phases without overlap. On account of numerous interdependencies within development projects and uncertainty about whether some products will reach marketability, some of the conditions for recognition pursuant to IAS 38 are not currently satisfied. Development costs are consequently not capitalised.

- Significant assumptions made in discounted cash flow projection when testing the recoverability of purchased intangible assets. Further explanations are contained in note F 1.

- Determining the percentage of completion is subject to certain discretionary decisions with regard to calculating the contract costs yet to be incurred. The estimate is made conscientiously based on the knowledge available as of the end of the reporting period.

- Floating-rate investments are classified and measured at fair value through profit or loss. Further explanations are contained in note F 8.

- The cost and present value of defined benefit obligations is determined using actuarial valuations. An actuarial valuation involves making various assumptions that can differ from actual developments in the future. These include the determination of the discount rates, future wage and salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of each reporting period.

- When determining provision amounts to be recognised, assumptions must be made on the probability that there will be an outflow of resources. These assumptions constitute the best estimate of the situation underlying the matter, but are subject to uncertainty because of the necessary use of assumptions. When measuring the provisions, assumptions also have to be made on the amount of the possible outflow of resources. A change in the assumptions can therefore lead to a difference in the amount of the provision. Thus the use of estimates also leads to uncertainties here.

Decisions based on estimates mainly relate to provisions for which the best estimate of the amount expected to be required to settle the obligation is recognised and to valuation allowances. Further explanations are contained in notes F 6 and F 13.

Share-based compensation

A limited group of employees was granted virtual stock options in the 2010 reporting period, i.e. share appreciation rights that can only be settled in cash (cash-settled transactions). These virtual stock options constitute a special form of performance-based remuneration that is linked to the development of the share price rather than the net income or loss for the year.

The costs resulting from cash-settled transactions were measured at fair value as of the grant date using a valuation model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured at the end of each reporting period. Changes in fair value are recognised in the employee benefits expense. The corresponding liability is reported in accrued liabilities.

E. Income statement

1. Revenue

The breakdown of revenue by business unit and region is presented in the segment reporting in note H. The revenue results from ordinary activities.

Revenue is essentially composed of the following income items:

in EUR k	2012	2011
CENIT consulting and service	56,697	54,540
CENIT software	12,311	11,676
Third-party software	49,194	41,358
Merchandise	652	266
Total	**118,854**	**107,840**

Revenue includes sales from construction contracts (PoC) totalling EUR 1,066 k (prior year: EUR 2,760 k). This income is subject to contract costs of EUR 581 k (prior year: EUR 1,573 k). This results in a profit from construction contracts of EUR 485 k (prior year: EUR 1,187 k).

2. Research and development costs

Pursuant to IAS 38, non-project-related development costs must be capitalised unless they are incurred for basic research, provided that the prerequisites of IAS 38.57 are fulfilled.

The Group was involved solely in non-project-related product development in 2012. The development costs incurred for the projects of EUR 6,394 k (prior year: EUR 5,482 k) were recognised as an expense in the reporting period.

3. Other operating income

Other operating income breaks down as follows:

in EUR k	2012	2011
Income from the cross-charging of marketing and administrative costs	131	171
Income from pre-school subsidy, investment subsidy	28	33
Income from sub-lets, including incidental costs	17	241
Income from insurance indemnification/damages	51	143
Income from foreign exchange rate gains	162	377
Income from the reversal of provisions	180	0
Income from receivables written off	69	84
Other income	135	113
Total	**773**	**1,162**

The income from exchange differences stemmed in particular from the translation of US dollars and Swiss francs.

4. Cost of materials

This item contains the cost of purchased third-party software of EUR 36,191 k (prior year: EUR 30,506 k) and the cost of purchased services of EUR 9,853 k (prior year: EUR 8,944 k).

5. Personnel expenses

The disclosure essentially relates to salaries, voluntary social benefits, allocations to the provision for vacation, profit participations and Management Board bonuses as well as welfare expenses and pension costs.

in EUR k	2012	2011
Wages and salaries	40,379	38,980
Social security, pension and other benefit costs	7,077	6,477
Total	**47,456**	**45,457**

Pension costs mainly include employer contributions to statutory pension insurance. Statutory pension insurance in Germany is organised as a defined contribution plan. CENIT also offers its employees the option of making contributions to a pension trust fund or direct insurance by means of deferred compensation. For these defined contribution plans, the employer does not enter into any obligations. The value of future pension payments is based exclusively on the value of the contributions paid by the employer for the employees to the external welfare provider, including income from the investment of said contributions.

The Swiss LOB pension plans are designed as defined benefit plans in accordance with IAS 19. We refer to the comments in note F 15.

An annual average (on a quarterly basis) of 665 (prior year: 652) persons were employed by the Group, plus 41 trainees (prior year: 36).

The number of employees as of the end of the reporting period came to 675 (prior year: 657). 580 of those were employed in Germany, 40 in other EU countries and 55 in other countries.

Personnel expenses comprise termination benefits totalling EUR 664 k (prior year: EUR 220 k). EUR 622 k (prior year: EUR 66 k) are reported under liabilities and EUR 55 k (prior year: EUR 91 k) under provisions as of the end of the reporting period, as they did not affect cash. The liabilities include severance payments of EUR 91 k from the 2011 reporting period.

6. Amortisation of intangible assets and depreciation of property, plant and equipment

Amortisation and depreciation is broken down in the statement of changes in non-current assets presented in notes F 1 and F 2.

7. Other operating expenses

in EUR k	2012	2011
Motor vehicle costs	1,667	1,720
Travel expenses	2,537	2,720
Advertising costs	1,424	1,260
Telecommunication and office supplies	799	856
Premises expenses	807	792
Rent and lease expenses	3,377	3,930
Exchange rate losses	186	393
Other personnel expenses	464	378
Legal and consulting fees	1,454	1,123
Commission	214	85
Training	536	343
Insurance	334	303
Repairs and maintenance	753	577
Payment of the Supervisory Board	71	71
Impairment losses and bad debts	76	93
Other	380	633
Total	**15,079**	**15,277**

8. Interest result

The total interest income and total interest expenses for financial assets and financial liabilities measured both at amortised cost and at fair value through profit or loss break down as follows:

in EUR k	2012	2011
Interest income from bank balances	117	199
Interest income from other financial assets	24	48
Interest income from business taxes	13	7
Total interest income	**154**	**254**
Utilisation of credit lines and guarantees	9	7
Interest expenses for business taxes	7	0
Interest expenses from unwinding of the discount on accrued liabilities	44	6
Total interest expenses	**60**	**13**
Interest result	**94**	**241**

9. Earnings from financial instruments at fair value through profit or loss

The net profit from the securities measured at fair value amounts to EUR 24 k (prior year: EUR 48 k). This corresponds to the interest result of EUR 24 k (prior year: EUR 48 k).

10. Income taxes

Income taxes contain German corporate income tax including solidarity surcharge and trade tax. Comparable taxes of foreign subsidiaries are also shown in this item.

Expenses from income taxes break down as follows:

in EUR k	2012	2011
Current tax expense	3,237	2,135
Change in deferred taxes	-545	16
Total	**2,692**	**2,151**

The current tax expense includes expenses of EUR 10 k relating to other periods (prior year: EUR 11 k).

Deferred taxes are calculated using the individual company tax rate. These are as follows:

in %	2012	2011
CENIT AG	30.00	30.00
CENIT CH	22.00	26.00
CENIT NA	34.00	37.18
CENIT RO	16.00	16.00
CENIT F	33.00	33.00
CENIT J	25.00	24.87

We refer to note F 4 with respect to the change in deferred taxes. The expected tax burden on the taxable profit is 30% as of the end of the reporting period (prior year: 30%) and is calculated as follows:

in %	2012	2011
Trade tax at a rate of 404.9% (prior year: 404.9%)	14.17	14.17
Corporate income tax of 15.0% (prior year: 15.0%)	15.00	15.00
Solidarity surcharge (5.5% of corporate income tax)	0.83	0.83
Effective tax rate	**30.00**	**30.00**

The difference between the current tax expense and the theoretical tax expense that would result from a tax rate of 30% (prior year: 30%) for CENIT AG breaks down as follows:

in EUR k	2012	2011
Net profit or loss for the period before taxes (EBT)	8,111	6,503
Theoretical tax expense based on a tax rate of 30% (prior year: 30%)	-2,433	-1,951
Non-deductible expenses	-88	-22
Tax-free income	-9	0
Recognition of deferred tax assets	-86	-49
Allowances on deferred tax assets (due to the use of unused tax losses)	69	0
Effects of different tax rates within the Group and tax rate changes	-109	-161
Non-deductible/creditable withholding tax	-38	0
Other	2	32
Income tax expense according to the consolidated income statement	-2,692	-2,151
Tax rate	33.2%	33.1%

11. Earnings per share

Earnings per share are calculated in accordance with the rules in IAS 33 Earnings per Share by dividing the group earnings by the weighted average number of shares outstanding during the reporting period. Basic earnings per share do not take into account any options, and are calculated by dividing the net earnings attributable to shares after non-controlling interests by the average number of shares. Earnings per share are diluted if, in addition to ordinary shares, equity instruments are issued from capital stock that could lead to a future increase in the number of shares. Options or warrants are taken into account only if the average share price for the ordinary shares during the reporting period exceeds the strike price of the options or warrants. This effect is calculated and stated accordingly.

The following reflects the underlying amounts used to calculate the basic and diluted earnings per share:

in EUR k	2012	2011
Net profit/loss attributable to ordinary shareholders of the parent	5,419	4,352
Weighted average number of ordinary shares used to calculate basic earnings per share	8,367,758	8,367,758

No treasury shares were held as of the end of the reporting period.

There have been no other transactions involving ordinary shares or potential ordinary shares between the end of the reporting period and the date of preparing the consolidated financial statements. Based on IAS 33.49, basic and diluted earnings per share total EUR 0.65 (prior year: EUR 0.52).

12. Dividends paid and proposed

Declared and paid during the reporting period:

in EUR k	2012	2011
Dividends on ordinary shares:		
Final dividend for 2011: EUR 0.30 (2010: EUR 0.15)	2,510	1,255

On 31 May 2013, the Management Board and Supervisory Board will propose to the shareholder meeting that a dividend of EUR 0.30 and a special dividend of EUR 0.25 per share be distributed from the retained earnings.

in EUR k	2012	2011
Dividends on ordinary shares:		
Final dividend for 2012: EUR 0.55 (prior year: EUR 0.30)	4,602	2,510

The payment of dividends by CENIT AG to the shareholders does not have any income tax implications for CENIT AG.

F. Statement of financial position

1. Intangible assets

Intangible assets developed as follows in 2012:

in EUR k	Software and licenses in such rights and assets	Customer base	Order backlog	Total
Cost				
As of 1 January 2012	2,678	6,242	95	9,015
Exchange difference	-1	12	2	13
Additions	353	0	0	353
Disposals	786	0	97	883
As of 31 December 2012	**2,244**	**6,254**	**0**	**8,498**
Accumulated amortisation				
As of 1 January 2012	1,935	1,462	69	3,465
Exchange difference	0	1	1	2
Additions	399	870	27	1,296
Impairments recorded in profit or loss	45	495	0	540
Disposals	786	0	97	883
As of 31 December 2012	**1,593**	**2,828**	**0**	**4,420**
Net carrying amounts	**651**	**3,426**	**0**	**4,078**
Cost				
As of 1 January 2011	2,340	4,411	119	6,870
Exchange difference	2	30	1	33
Additions from business acquisition	9	1,801	94	1,904
Additions	432	0	0	432
Disposals	105	0	119	224
As of 31 December 2011	**2,678**	**6,242**	**95**	**9,015**
Accumulated amortisation				
As of 1 January 2011	1,684	747	119	2,550
Exchange difference	1	3	1	5
Additions	353	711	68	1,132
Disposals	103	0	119	221
As of 31 December 2011	**1,935**	**1,462**	**69**	**3,465**
Net carrying amounts	**743**	**4,780**	**27**	**5,550**

Amortisation was reported in the income statement under amortisation of intangible assets and depreciation of property, plant and equipment.

The customer base from purchase accounting of cad scheffler GmbH has a remaining amortisation period of two years as of the end of the reporting period. The residual carrying amount as of the end of the reporting period totals EUR 398 k.

The customer base from purchase accounting of conunit GmbH has a remaining amortisation period of 7.5 years as of the end of the reporting period. The residual carrying amount as of the end of the reporting period totals EUR 1,770 k. In addition, software acquired as part of the business combination was capitalised which has a residual carrying amount of EUR 160 k as of the end of the reporting period. The remaining amortisation period also amounts to 7.5 years.

The customer base from purchase accounting of Transcat PLM AG has a remaining amortisation period of two years as of the end of the reporting period. As of the end of the reporting period, this customer base has a residual carrying amount of EUR 1,259 k. The remaining amortisation period as of the end of the reporting period is three years and five months. The order backlog identified from the acquisition of EUR 96 k has been worked through as of the end of the reporting period.

Impairment losses

In the course of the 2012 reporting period, key employees in the BOA business unit, to which the intangible assets from purchase accounting of conunit GmbH are allocable, left the Group. Due to this employee turnover, we lost material customer relationships in this area during the reporting period and expect further losses in the future. In response to this indication of an impairment loss, impairment testing was carried out as of 31 December 2012. Because the existing customer relationships do not generate any cash flows of their own pursuant to IAS 36.6, the impairment test was carried out at the level of the respective cash-generating unit. The BOA business unit was identified as the cash-generating unit. The impairment test of the cash-generating unit in 2012 was based on its value in use, which was calculated by discounting the planned future cash flows from the continued use of the cash-generating unit. The carrying amount of the cash-generating unit was higher than the value in use calculated, which meant that an impairment loss of EUR 540 k was recognised. The impairment loss was allocated to the following assets in proportion to their carrying amounts:

Asset	Impairment loss
Service customer base	321
Maintenance customer base	174
Software	45
Total	**540**

The impairment loss related entirely to the EIM segment.

EBIT and the cash flows derived therefrom for 2013 to 2015 were calculated based on the current planning for the BOA business unit. Other significant assumptions used in calculating the value in use are the discount rate and the terminal value growth rate.

The discount rate used is 7.8%. This is based on the risk-free interest rate derived from the return on German government bonds with a similar term. This discount rate is adjusted for a risk premium that reflects the increased general risk of an equity investment. The specific risk of the cash-generating unit was taken into account using industry beta factors.

The discounted cash flow model includes cash flows over a period of three years. The key assumptions of the mid-range planning are mostly based on experience values and on general market data, such as the economic development and market growth. For the period after the mid-range planning horizon, the planning was rolled forward based on the last planning year with a growth rate of 0.5%, which is calculated from the lower of the growth rates of nominal GDP in Germany on the one hand and the annual average growth rate in EBITDA as estimated by management on the other.

2. Property, plant and equipment

Property, plant and equipment developed as follows in 2012:

in EUR k	Buildings including buildings on third-party land	Plant and machinery	Furniture and fixtures	Payments on account	Total
Cost					
As of 1 January 2012	1,672	8,261	1,089	44	11,067
Exchange difference	-2	-6	-4	0	-12
Additions	190	1,438	297	0	1,925
Reclassification	44	0	0	-44	0
Disposals	73	3,536	453	0	4,062
As of 31 December 2012	**1,831**	**6,157**	**929**	**0**	**8,918**
Accumulated depreciation					
As of 1 January 2012	987	6,737	892	0	8,616
Exchange difference	-1	-5	-3	0	-9
Additions	59	895	237	0	1,191
Disposals	73	3,531	443	0	4,047
As of 31 December 2012	**972**	**4,096**	**683**	**0**	**5,751**
Net carrying amounts	**859**	**2,061**	**246**	**0**	**3,167**
Cost					
As of 1 January 2011	1,663	7,492	1,101	0	10,256
Exchange difference	2	13	2	0	17
Additions from business acquisition	9	33	3	0	45
Additions	25	1,369	360	44	1,797
Disposals	26	645	377	0	1,049
As of 31 December 2011	**1,672**	**8,261**	**1,089**	**44**	**11,067**
Accumulated depreciation					
As of 1 January 2011	873	6,596	834	0	8,303
Exchange difference	1	10	2	0	12
Additions	136	774	431	0	1,342
Disposals	23	643	375	0	1,041
As of 31 December 2011	**987**	**6,737**	**892**	**0**	**8,616**
Net carrying amounts	**686**	**1,524**	**197**	**44**	**2,451**

3. Investment in an associate

CENIT AG holds a share of 33.3% in CenProCS AIRliance GmbH, an entity domiciled in Stuttgart. This entity specialises in providing packaged services in the field of IT, as well as coordinating and marketing said services.

The share of the assets, liabilities, revenue and earnings of the associate that is included in the consolidated financial statements as of 31 December 2012 breaks down as follows:

in EUR k	2012	2011
Current assets	1,983	2,644
Non-current assets	0	0
Current liabilities	-1,932	-2,593
Non-current liabilities	0	0
Net assets	**51**	**51**
Revenue	7,193	6,670
Earnings	0	0
Carrying amount of the investment	**54**	**54**

As of 31 December 2012, CenProCS AIRliance reported a profit of EUR 0 k (prior year: EUR 1 k).

4. Deferred taxes

The recognition and measurement differences determined between the profit in the tax accounts and the financial statements under German commercial law as well as the adjustments of the financial statements under German commercial law of the consolidated entities to IFRS led to deferred taxes of the following amounts in the following items:

in EUR k	Deferred tax assets		Deferred tax liabilities	
	31 Dec. 2012	31 Dec. 2011	31 Dec. 2012	31 Dec. 2011
Deferred tax assets on unused tax losses	68	107	0	0
Property, plant and equipment	6	21	44	41
Intangible assets	0	0	1,026	1,447
General valuation allowance	0	0	65	37
Receivables from service agreements	0	0	144	357
Other provisions and accrued liabilities	186	163	0	0
IAS 19 pension obligations	159	54	0	0
Consolidation procedures	4	0	29	0
Total	**423**	**345**	**1,308**	**1,882**
Netting	-369	-296	-369	-296
Total	**54**	**49**	**939**	**1,586**

The increase in deferred taxes on actuarial gains/losses from defined benefit obligations recognised in other comprehensive income of EUR 108 k was recognised in other comprehensive income. The other changes in deferred tax assets and liabilities had an effect on income in the reporting year and in the prior year.

As of 31 December 2012, no deferred income tax payables for taxes on untransferred profits were recognised (outside basis differences). As of the end of the reporting period, the latter amount to EUR 56 k (prior year: EUR 57 k).

As of the end of the reporting period, the Group had unused tax losses of EUR 274 k (prior year: EUR 421 k) for which deferred tax assets of EUR 68 k (prior year: EUR 107 k) were recognised. These relate to CENIT Japan. If business volume expands profitably, it is assumed that this deferred tax asset can be realised in future periods. The deferred taxes recognised on the unused tax loss of CENIT (Schweiz) AG were utilised in the reporting period.

5. Inventories

in EUR k	31 Dec. 2012	31 Dec. 2011
Work in process	0	4
Merchandise (measured at cost)	88	115
Payments on account made	0	207
Total	**88**	**326**

No write-downs to the net realisable value were recorded in the 2012 reporting period or the prior year.

6. Receivables

Trade receivables totalling EUR 16,398 k (prior year: EUR 17,496 k) are due from third parties, as well as EUR 3,502 k (prior year: EUR 3,946 k) from associates.

Receivables include receivables from construction contracts (PoC) totalling EUR 1,066 k (prior year: EUR 2,760 k). Contract costs of EUR 581 k (prior year: EUR 1,573 k) were incurred on these receivables. This results in a profit from construction contracts of EUR 485 k (prior year: EUR 1,187 k). Payments on account received for receivables from construction contracts amounted to EUR 2,119 k (prior year: EUR 3,050 k). Because these are payments on account and not progress billings based on the stage of completion, they are reported as other liabilities in the statement of financial position.

Customers are usually granted a payment term of 30 days. No interest was charged. Specific valuation allowances not tied to any periods were recognised for specific default risks (settlement, insolvency). As of the end of the reporting period, specific valuation allowances were recognised for EUR 2 k of trade receivables (prior year: EUR 5 k).

The age structure of trade receivables and receivables from associates was as follows at the end of the reporting period:

in EUR k	Total	thereof: impaired	thereof: neither past due nor impaired at the end of the reporting period	thereof: past due but not impaired			
				less than 30 days	between 30 and 60 days	between 61 and 90 days	between 91 and 180 days
2012	19,902	2	15,253	4,345	243	20	39
2011	21,447	5	17,082	3,382	682	177	119

The ten largest accounts receivable account for a receivables balance of EUR 6,086 k as of the end of the reporting period. This represents a share of 30.6%. The credit quality of the receivables as of the end of the reporting period which were neither past due nor impaired is seen as appropriate. There are no indications of impairment. The credit ratings of the debtors are monitored on an ongoing basis.

As of the end of the reporting period, EUR 2 k of trade receivables was impaired (prior year: EUR 5 k). The allowance account developed as follows:

in EUR k	Individually determined to be impaired
As of 1 January 2011	46
Addition (+)/reversal (-)	-41
As of 31 December 2011	5
Addition (+)/reversal (-)	-3
As of 31 December 2012	**2**

When testing trade receivables for impairment, any change in the credit rating that has occurred by the end of the reporting period since the payment term was granted is taken into account. There is no notable concentration of credit risk, as the customer base is diverse and there is no overlapping.

There are no trade receivables due in more than one year that are reported under non-current assets.

A breakdown of receivables by country is as follows:

in EUR k	31 Dec. 2012	31 Dec. 2011
Germany	16,732	17,714
Other EU countries	1,670	2,209
Rest of the world incl. USA	1,498	1,519
Total	**19,900**	**21,447**

7. Other receivables

Other receivables break down as follows:

in EUR k	31 Dec. 2012	31 Dec. 2011
Receivables from deposits	67	60
Receivables from lessors	50	0
Repayment receivable	0	75
Accrued interest	35	7
Other	10	5
Total	**162**	**147**

Other receivables are short term, not past due and not impaired.

8. Other financial assets at fair value through profit or loss

Other financial assets break down as follows:

in EUR k	31 Dec. 2012	31 Dec. 2011
Securities	0	966

As of 8 March 2007, CENIT invested EUR 1,000 k in floating-rate bearer debenture bonds issued by a bank with an excellent credit rating. The interest rate is the 3-month EURIBOR +0.3%. This financial asset was classified as held for trading on addition. The bearer debenture bonds were repaid in the reporting period.

In addition, under non-current assets, debenture bonds of EUR 2,000 k were reported. These were categorised as measured at fair value on addition. The fair value constitutes a price that can be observed on the market.

All financial instruments were put in the category ‘at fair value through profit or loss’. Gains or losses were recognised in profit or loss.

As of the end of the reporting period, no material default risks were identifiable. The maximum credit risk possible corresponds to the carrying amount reported.

9. Income tax assets

The long-term income tax receivables of EUR 328 k (prior year: EUR 403 k) relate to the capitalised corporate income tax credit. This is recognised at its present value. The present value was determined using a discount rate of 4.0%.

The short-term current income tax receivables of EUR 454 k in total (prior year: EUR 452 k) mainly relate to claims for prepayments for corporate income tax, trade tax of EUR 358 k in total (prior year: EUR 352 k) and income tax assets from double tax treaties amounting to EUR 2 k (prior year: EUR 7 k) as well as the short-term portion of capitalised corporate income tax credits of EUR 94 k (prior year: EUR 93 k).

10. Cash and cash equivalents

Cash and cash equivalents break down as follows:

in EUR k	31 Dec. 2012	31 Dec. 2011
Bank balances	23,769	18,124
Cash on hand	10	11
Total	**23,779**	**18,135**

Bank balances earn interest at the floating rates based on daily bank deposit rates. The fair value of cash amounts to EUR 23,779 k (prior year: EUR 18,135 k).

The Group has credit lines of EUR 2,800 k as of the end of the reporting period (prior year: EUR 2,800 k). Of this amount, there is still a figure of EUR 1,300 k that can be availed of either as a loan or as a guarantee. The Group utilised EUR 560 k of this amount as a guarantee as of the end of the reporting period. There is also a further guarantee of EUR 358 k, EUR 104 k of which was utilised.

Cash is a component of cash and cash equivalents pursuant to IAS 7. The composition of cash and cash equivalents is presented in note G.

11. Prepaid expenses

Prepaid expenses break down as follows:

in EUR k	31 Dec. 2012	31 Dec. 2011
Prepaid maintenance fees	4,066	4,020
Prepaid rights of use and car insurance	870	423
Total	**4,936**	**4,443**

The prepaid maintenance fees involve prepayments by the CENIT Group for the 2013 period that will be recorded as expenses in the following year.

12. Equity

Capital stock

Since the resolution adopted on 13 June 2006 to increase capital from company funds and entry in the commercial register on 14 August 2006, the capital stock of the Company amounts to EUR 8,367,758.00 and is fully paid in. It is split into 8,367,758 no-par value shares of EUR 1.00 each (prior year: 8,367,758 no-par value shares of EUR 1.00 each). The shares are bearer shares and are no-par value common shares only.

The Company still holds no treasury shares.

Authorised capital

The Management Board is authorised, with the approval of the Supervisory Board, to increase the capital stock by up to EUR 4,183,879.00 in total by 25 May 2016 by issuing on one or more occasions new no-par value bearer shares in return for cash contributions or contributions in kind (authorised capital 2011). The number of shares must increase in direct proportion to the increase in capital stock. The shareholders must be given a subscription right. The new shares can also be assumed by one bank or by several banks with the obligation to offer them to the Company's shareholders for purchase.

However, the Management Board is authorised, with the approval of the Supervisory Board, to preclude the shareholders' statutory subscription right in the following cases:

a. The Management Board is authorised, with the approval of the Supervisory Board, to preclude any fractional shares from the shareholders' subscription right.

b. The Management Board is authorised, with the approval of the Supervisory Board, to preclude the shareholders' subscription right in the event of a capital increase in return for a contribution in kind if the contribution in kind is made with the purpose of acquiring companies, parts of companies and/or equity investments in companies or in the course of business combinations.

c. The Management Board is authorised, with the approval of the Supervisory Board, to preclude the shareholders' subscription right in the event of a capital increase in return for a cash contribution if the capital increases passed on the basis of this approval do not exceed a total of 10% of the existing capital stock as of the date of the resolution by the shareholder meeting or as of the date on which the approval is exercised, whichever is lower, and if the issue amount is not substantially less than the quoted market price The maximum limit of 10% of the capital stock is reduced by the proportionate amount of the capital stock accounted for by those treasury shares of the Company that were sold during the term of the authorised capital with exclusion of the subscription right of the shareholders in accordance with Sec. 71 (1) No. 8 Sentence 5 AktG and Sec. 186 (3) Sentence 4 AktG.

The total number of shares issued based on this authorisation in return for cash contributions and contributions in kind with exclusion of the subscription right cannot exceed a proportionate amount of capital stock of EUR 1,673,551 (20% of current capital stock). The Management Board is authorised, subject to approval of the Supervisory Board, to decide on further details of the capital increase and the conditions of the share issue.

The Supervisory Board is authorised to adjust the version of Article 5 of the articles of incorporation and bylaws after partial or full implementation of the increase in capital stock in accordance with the respective utilisation of the authorised capital.

Notes on the components of equity

The capital reserves contain the share premium realised from issuing shares of the parent company in excess of their nominal value. If the legal reserve and the capital reserves pursuant to Sec. 272 (2) Nos. 1 to 3 HGB together do not exceed a tenth of the capital stock or any higher amount stipulated in the articles of incorporation and bylaws, they may only be used in accordance with Sec. 150 AktG to offset a net loss for the year or a loss carryforward that is not covered by net income for the year or a profit carryforward respectively, and cannot be offset by releasing other revenue reserves. The capital reserves were last increased in the 2007 reporting period by EUR 195 k by pro rata posting of the stock options granted under the stock option plan 2002/2006.

Other revenue reserves and the legal reserve pursuant to Sec. 150 AktG contain the profits transferred to reserves.

The unrealised gains/losses from defined benefit obligations included in other revenue reserves developed as follows in the 2012 reporting period:

in EUR k	
As of 1 January 2012	95
Addition	516
Deferred taxes	-108
As of 31 December 2012	**503**

The currency translation reserve contains the net differences resulting from translation of the subsidiaries' financial statements to the Group's functional currency that are offset against equity.

As of the end of the reporting period, there are no non-controlling interests in equity.

13. Current income tax liabilities and other provisions

in EUR k	31 Dec. 2012	31 Dec. 2011
Current income tax liabilities	1,540	706
Other provisions	166	245
Total	**1,706**	**951**

Other provisions include the expenses for the shareholder meeting of EUR 90 k (prior year: EUR 96 k), payment obligations from the return of leased vehicles amounting to EUR 21 k (prior year: EUR 58 k) and provisions from personnel-related measures of EUR 55 k (prior year: EUR 91 k). The provisions are measured based on a best estimate of the settlement amount needed. There are estimation uncertainties surrounding the amount of the cash outflow.

The current income tax liabilities developed as follows:

in EUR k	
As of 1 January 2012	706
Utilisation	-679
Addition	1,513
As of 31 December 2012	**1,540**

The other provisions cover all identifiable obligations to third parties in accordance with IAS 37. They developed as follows:

in EUR k	Shareholder meeting	Return of vehicles	Personnel-related measures	Total
As of 1 January 2012	96	82	91	269
Utilisation	85	10	91	186
Reversal	11	32	0	43
Addition	90	2	55	147
As of 31 December 2012	**90**	**42**	**55**	**187**
of which non-current	0	21	0	21
of which current	90	21	55	166

The provisions will mainly be used in the following reporting period. Due to the volume involved, long-term provisions are reported under other liabilities.

14. Trade payables and liabilities to associates

The liabilities are subject to customary retentions of title to the delivered goods.

in EUR k	31 Dec. 2012	31 Dec. 2011
Trade payables to third parties	4,156	3,624
Liabilities to associates	20	217
Total	**4,176**	**3,841**

Of the total liabilities, EUR 4,176 k is due within one year (prior year: EUR 3,841 k). These are not subject to interest.

15. Other liabilities

Other current liabilities break down as follows:

in EUR k	31 Dec. 2012	31 Dec. 2011
VAT/wage tax payables	1,869	2,061
Liabilities for social security	146	70
Accrued liabilities	4,527	4,688
Sundry	3,695	6,482
Total	**10,237**	**13,301**

Sundry other liabilities mainly involve purchase invoices not yet received and recorded amounting to EUR 829 k (prior year: EUR 1,105 k), payments on account received of EUR 2,119 k (prior year: EUR 4,409 k), future payment obligations from virtual stock options totalling EUR 51 k (prior year: EUR 26 k) and other current liabilities.

The future payment obligations from virtual stock options stem from the issue of virtual options for 10,000 shares each (a total of 20,000) in CENIT AG at a subscription price of EUR 4.00 and EUR 5.50 respectively to the participants. Exercise of the options is subject to a lock-up period of three years; the total term of the options is five years. In addition, it is only possible to exercise the options if the share price exceeds EUR 6.99 and EUR 8.00 respectively. The fair value was calculated using a simplified Black-Merton-Scholes model. This model cannot be used to depict expected future dividends and additional vesting conditions. However, due to the amount of the fair value, this is seen as appropriate. Expected volatility of around 40% (prior year: roughly 33%) was taken as a base in calculating the fair value. This is consistent with the historical volatility. An interest rate in the region of 1.0% (prior year: around 1.35%) with a similar term was used as the risk-free interest rate. The fair value of the virtual options totals roughly EUR 50 k (prior year: EUR 40 k). This amount is accumulated pro rata over the lock-up period and reported in personnel expenses.

The accrued liabilities break down as follows:

in EUR k	31 Dec. 2012	31 Dec. 2011
Employer's liability insurance, compensatory levy in lieu of employing severely disabled persons	213	187
Vacation and bonus entitlements	3,083	4,167
Long-service awards	51	24
Personnel adjustment measures	722	66
Payment of the Supervisory Board	68	68
Other	390	176
Total	**4,527**	**4,688**

A provision of EUR 722 k was recognised for termination benefits. EUR 303 k of this figure relates to the termination of an employment agreement of an Management Board member.

Other long-term liabilities break down as follows:

in EUR k	31 Dec. 2012	31 Dec. 2011
Long-service awards	290	295
Pension obligations	725	208
Long-term Management Board remuneration	322	186
Other	67	70
Total	**1,404**	**759**

The long-service awards total EUR 341 k. Of this figure, EUR 290 k is reported in long-term and EUR 51 k in short-term other liabilities. There are no written commitments to the employees for the long-service awards. These were recognised as liabilities on account of the payment method and the resulting indication of company practise.

The LOB old-age pension in Switzerland is designed as a defined benefit plan pursuant to IAS 19 and thus presented in the statement of financial position. The pension plan is a savings/risk insurance. Actuarial gains and losses are recognised in other comprehensive income according to the method chosen.

The following tables summarise the components of net benefit expense recognised in the income statement and amounts recognised in the statement of financial position for the respective plans.

The potential obligation reported in the statement of financial position from the defined benefit pension obligations amounts to EUR 725 k in total (to EUR 208 k as of 1 January 2012).

in EUR k	31 Dec. 2012	31 Dec. 2011
Present value of the defined benefit obligation	4,104	2,283
Fair value of plan assets	3,379	2,075
Benefit liability	**725**	**208**

The net liability developed as follows:

in EUR k	2012
Net liability as of 1 January 2012	208
Net expense recognised	111
Contributions by the employer	112
Actuarial gains/losses	516
Net foreign exchange difference	2
Net liability as of 31 December 2012	**725**

Changes in the present value of the defined benefit obligation are as follows:

in EUR k	2012
Present value of defined benefit obligation as of 1 January 2012	2,283
Current service cost	108
Interest expense	65
Contributions by plan participants	109
Actuarial gains/losses	417
Benefits paid	1,108
Net foreign exchange difference	14
Present value of defined benefit obligation as of 31 December 2012	**4,104**

The changes in fair value of the plan assets are as follows:

in EUR k	2012
Fair value of plan assets as of 1 January 2012	2,075
Expected return on plan assets	62
Actuarial gains/losses	-99
Contributions by the employer	112
Contributions by plan participants	109
Benefits paid	1,108
Net foreign exchange difference	12
Fair value of plan assets as of 31 December 2012	**3,379**

All of the plan assets come from other investments. The total return expected on plan assets is calculated on the basis of past experience. This is reflected in the principal assumptions (see below). The actual return on plan assets came to EUR -37 k in total (prior year: EUR -110 k).

in EUR k	2012
Current service cost	108
Interest expense	65
Expected return on plan assets	62
Net benefit expense	**111**

The Group expects to contribute EUR 116 k in total to its defined benefit pension plans in the 2013 reporting period.

Actuarial gains and losses recognised in other comprehensive income are as follows:

in EUR k	2012
Cumulative amount recognised in revenue reserves as of 1 January 2012	128
Amount recognised in the current year	516
Cumulative amount recognised in revenue reserves as of 31 December 2012	**644**

There are no effects from abolishing the option to use the corridor method.

The principal assumptions used in determining the pension obligation are shown below:

%	2012
Discount rate	2.0
Expected return on plan assets	2.0
Anticipated rate of salary increase	1.0

The amounts for the current and prior reporting period are as follows:

in EUR k	2012	2011	2010
Present value of the defined benefit obligation	4,104	2,283	1,210
Plan assets	3,379	2,075	1,191
Deficit/surplus	-725	-208	-19
Experience adjustments on plan liabilities	93	-10	0
Experience adjustments on plan assets	-99	-138	0

16. Financial risk management objectives and policies

The aim of the disclosures required in accordance with IFRS 7 is to provide information relevant for decision making on the amount, timing and probability of occurrence of future cash flows that result from financial instruments, and to assess the risks resulting from financial instruments.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Apart from cash, financial assets primarily involve non-securitised receivables, such as trade receivables, loans and loan receivables, and securitised receivables, such as cheques, bills of exchange or debenture bonds. Financial assets can also include held-to-maturity investments and derivatives held for trading. Financial liabilities on the other hand generally give rise to a contractual obligation to return cash or other financial assets. These include in particular trade payables, liabilities to banks, bonds, liabilities on bills accepted and drawn as well as written options and derivative financial instruments with a negative fair value.

The Group's principal financial instruments, other than derivatives, comprise overdrafts and trade payables. The main purpose of these financial instruments is to finance the Group's business activities. The Group has various financial assets such as trade receivables, securities, cash and short-term deposits which arise directly from its business activities.

There are no significant differences between the carrying amount and fair value of receivables and liabilities due to their short term.

The Group is exposed to credit and liquidity risks as well as interest and exchange rate fluctuations in the course of its operations.

The general regulations for a group-wide risk policy are contained in the group guidelines. The group-wide risk policy also provides for the use of derivative financial instruments. The corresponding financial transactions are only concluded with counterparties with excellent credit ratings.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk, interest rate risk and other price risks, such as the equity price risk. The Group does not envisage any material market price risk. For the other market risks listed above, we refer to the following comments.

Credit risk

The credit risk results from the possibility that business partners may fail to meet their obligation under financial instruments and that financial losses could be incurred as a result.

The Group obtains credit ratings from external agencies before accepting a new customer in order to assess the credit worthiness of prospective customers and define their credit limits.

Credit ratings for major new customers are made by Creditreform e.V. For new and existing customers, the credit risk is reduced among other things by issuing invoices for down payments. The payment behaviour of existing customers is analysed on a constant basis. In addition, the credit risk is controlled using limits for each contractual party, which are examined annually.

No credit rating is carried out for contracts won by our contractual partners, since this is already done at contractual partner level.

In addition, receivable balances are monitored by us on an ongoing basis, with the result that the Group's exposure to risk of default is not significant.

As we do not conclude any general netting agreements with our customers, the sum of the amounts reported under assets also represents the maximum credit risk. There are no identifiable concentrations of credit risk from business relationships with single debtors or groups of debtors. With respect to the other financial assets of the Group, such as cash and cash equivalents, the Group's maximum exposure to credit risk arising from default of the counterparty is equal to the carrying amount of these instruments.

In addition to customary retention of title, the Group does not have any collateral or other credit enhancement measures that would reduce this default risk.

Currency risk

The currency risk exposure mainly arises where receivables or liabilities exist or will be generated in the ordinary course of business in a currency other than the local currency of the Company.

Foreign currency receivables and liabilities which could give rise to currency risks are not material for the Group.

In addition, there are currency risks from domestic bank balances denominated in USD. The resulting risks amount to EUR 1 k (prior year: EUR 3 k) with a total volume of USD 16 k (prior year: USD 43 k) and a change of +/- 10%. The risk from cash on hand is considered immaterial on the whole. The currency risk from other bank balances mainly involves figures of CHF 2,375 k (prior year: CHF 3,151 k) and USD 2,012 k (prior year: USD 2,591 k) and amounts to EUR 349 k (prior year: EUR 460 k) with a change of +/- 10%.

There are no other risks from foreign currencies.

Interest rate risk

The Group is generally not exposed to any risk from changes in market interest rates because it has not borrowed any current financial liabilities with floating interest rates. The Group only sees an interest rate risk from investing cash and cash equivalents. This risk is not deemed material. With average cash and cash equivalents of EUR 24,278 k, this would result in an effect on profit of EUR +/- 243 k if the interest rate were to fluctuate by +/- 1%.

The CENIT Group’s policy is to manage its interest income using a mix of fixed and floating-rate investments. The Group uses financial instruments where necessary to achieve this goal.

As of the end of both reporting periods, there were no derivative financial instruments for hedging against interest risks.

Liquidity risk

The Group needs sufficient liquidity to meet its financial obligations. Liquidity risks arise from the possibility that customers may not be able to settle obligations to the Group under normal trading conditions. The Group manages liquidity risk by maintaining adequate reserves, credit lines from banks and by constantly monitoring forecast and actual cash flows and reconciling the maturity profiles of financial assets and liabilities. The credit rating of the Group allows sufficient cash to be procured. Moreover, the Group has lines of credit that have not yet been used.

Thanks to the large amount of cash and cash equivalents and highly liquid securities, there are currently no liquidity or refinancing risks at group level.

The financial liabilities all fall due within a maximum of one year.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and maximum equity ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group can adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies and methods as of 31 December 2012 and 31 December 2011.

The Group monitors its capital in relation to total assets. Equity includes the equity attributable to shareholders of the parent. Total assets comprise the total assets reported in the consolidated statement of financial position (in accordance with IFRS).

in EUR k	31 Dec. 2012	31 Dec. 2011
Total assets	59,000	56,418
Equity attributable to shareholders of the parent company	34,648	32,206
Equity as a percentage of total assets	**58.7**	**57.1**

17. Financial instruments

The table below shows the carrying amounts and fair values of all of the Group's financial instruments included in the consolidated financial statements.

in EUR k	Carrying amount	Carrying amount	Fair value	Fair value
	2012	2011	2012	2011
Financial assets				
Cash and cash equivalents	23,779	18,135	23,779	18,135
Other financial assets at fair value through profit or loss	2,000	2,966	2,000	2,966
Loans and receivables	20,062	21,589	20,062	21,589
thereof:				
• Trade receivables	16,398	17,496	16,398	17,496
• Receivables from an associate	3,502	3,946	3,502	3,946
• Other receivables	162	147	162	147
	45,842	**42,690**	**45,842**	**42,690**
Financial liabilities				
Other financial liabilities	12,398	15,011	12,398	15,011
thereof:				
• Trade payables	4,156	3,624	4,156	3,624
• Liabilities to an associate	20	217	20	217
• Accrued liabilities	4,527	4,688	4,527	4,688
• Other liabilities	1,576	2,073	1,576	2,073
	12,398	**15,011**	**12,398**	**15,011**

The fair value of the financial assets and financial liabilities corresponds to their carrying amount because they are current assets and liabilities only. The fair value of financial assets measured at fair value results from the prices on the market.

The other liabilities recognised in the statement of financial position contain payments on account received amounting to EUR 2,119 k (prior year: EUR 4,409 k).

G. Statement of cash flows

The statement of cash flows shows how the cash and cash equivalents of the CENIT Group changed during the course of the reporting period and the prior year as a result of cash inflows and outflows. Cash flows were broken down into cash flow from operating, investing and financing activities in accordance with IAS 7. The amounts reported from foreign entities are generally translated at the annual average rates. However, as in the statement of financial position, liquidity is reported at the closing rate. The foreign currency effects on cash are shown separately if they are material.

The cash flow from investing activities and financing activities is determined on the basis of payments made or received. The cash flow from operating activities, on the other hand, is derived indirectly from the Group’s net income or loss for the year. When performing the indirect calculation, changes in items in the statement of financial position considered in connection with ordinary activities are adjusted for effects from currency translation and changes in the consolidated group. There are therefore differences compared to changes in the relevant items in the consolidated statement of financial position.

Investments in property, plant and equipment, intangible assets and financial assets are included in the cash outflow from investing activities.

Only assets that can be converted into cash without significant deductions and that are subject to minor fluctuations in value are included in cash and cash equivalents.

Cash and cash equivalents include all cash and cash equivalents reported in the statement of financial position provided they have an original maturity of less than three months. As of the end of the reporting period, cash and cash equivalents break down as follows:

in EUR k	31 Dec. 2012	31 Dec. 2011
Bank balances	23,769	18,124
Cash on hand	10	11
Cash and cash equivalents	**23,779**	**18,135**

Deferred tax assets increased from EUR 49 k in the prior year to EUR 54 k. Deferred tax liabilities decreased by EUR 647 k from EUR 1,586 k to EUR 939 k.

H. Segment reporting

Pursuant to IFRS 8, business segments must be demarcated based on the internal reporting from group divisions that are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

For management purposes, the Group is organised into business units based on its products and services, and has two reportable operating segments as follows:

- EIM (Enterprise Information Management)
- PLM (Product Lifecycle Management)

The presentation is based on internal reporting.

The PLM (Product Lifecycle Management) segment focuses on industrial customers and the corresponding technologies. Its industry focus is on the automotive, aerospace, mechanical engineering and shipbuilding industries. Special emphasis is placed on products and services in product lifecycle management, such as CATIA from Dassault or SAP, and internally developed software such as cenitCONNECT and FASTSUITE. The Enterprise Information Management (EIM) segment focuses on the customer segment of trade and commerce, banks, insurance firms and utilities. The focus here is on products of the strategic software partner IBM and internally developed software and consultancy services in the fields of document management and business intelligence.

In the segmentation by business unit and by region, those financial assets and tax reimbursement rights as well as current and deferred income tax liabilities and other liabilities are disclosed in the “Reconciliation” column for segment assets and segment liabilities respectively that could not be attributed to the respective business units.

The segmentation by region is based on the location of the Group’s assets. Sales to external customers disclosed in geographical segments are based on the geographical location of the customer of the individual segment.

In the 2012 reporting period, 12% of sales or EUR 14,562 k (prior year: EUR 12,322 k) was recorded with a single customer (prior year: 11%). These sales are attributable first and foremost to the PLM segment.

The segmentation by business unit is shown below:

SEGMENT REPORTING BY BUSINESS UNIT (in accordance with IFRS) for the period from 1 January to 31 December 2012

in EUR k		EIM	PLM	Reconcili-ation	Group
External revenue	2012	29,068	89,786	0	118,854
	2011	28,954	78,887	0	107,840
EBIT	2012	407	7,610	0	8,017
	2011	1,253	5,009	0	6,262
Share of profit of the associate	2012	0	0	0	0
	2011	0	0	0	0
Other interest result and financial result	2012	0	0	94	94
	2011	0	0	241	241
Income taxes	2012	0	0	2,692	2,692
	2011	0	0	2,151	2,151
Group earnings	2012	407	7,610	-2,598	5,419
	2011	1,253	5,009	-1,910	4,352
Segment assets	2012	8,873	23,458	26,615	58,946
	2011	10,746	23,612	22,005	56,364
Investment in an associate	2012	0	54	0	54
	2011	0	54	0	54
Segment liabilities	2012	7,191	14,678	2,483	24,352
	2011	7,382	14,526	2,304	24,212
Investments in property, plant and equipment and intangible assets	2012	726	1,552	0	2,278
	2011	730	3,449	0	4,178
Amortisation and depreciation	2012	1,365	1,662	0	3,027
	2011	870	1,605	0	2,474

EIM = Enterprise Information Management; PLM = Product Lifecycle Management

The segmentation by region is shown below:

SEGMENT REPORTING BY COUNTRY (in accordance with IFRS) for the period from 1 January to 31 December 2012										
in EUR k		Germany	Switzer- land	North America	Romania	France	Japan	Reconcil- iation	Consoli- dation	Group
External revenue	2012	97,717	10,678	8,879	940	33	608	0	0	118,854
	2011	89,725	7,652	9,620	786	30	27	0	0	107,840
Segment assets	2012	28,614	3,328	2,263	133	126	475	26,615	-2,608	58,946
	2011	31,467	3,416	2,557	247	20	87	22,005	-3,435	56,364
Investment in an associate	2012	54	0	0	0	0	0	0	0	54
	2011	54	0	0	0	0	0	0	0	54
Investments in property, plant and equipment and intangible assets	2012	2,130	27	60	42	20	0	0	0	2,278
	2011	2,074	2,012	54	17	2	20	0	0	4,178

The reconciliation of segment assets breaks down as follows:

in EUR k	31 Dec. 2012	31 Dec. 2011
Deferred tax assets	54	49
Long-term income tax receivable	328	403
Current income tax assets	454	452
Other financial assets (current and non-current)	2,000	2,966
Cash and cash equivalents	23,779	18,135
Total	**26,615**	**22,005**

The reconciliation of segment liabilities breaks down as follows:

in EUR k	31 Dec. 2012	31 Dec. 2011
Deferred tax liabilities	939	1,586
Current income tax liabilities	1,540	706
Other liabilities	4	12
Total	**2,483**	**2,304**

There were no material non-cash expenses in the reporting period or in the prior year except amortisation and depreciation and additions to provisions.

I. Other notes

1. Contingent liabilities and other financial obligations

As of the end of the reporting period there were no contingent liabilities that would require disclosure in the statement of financial position or in the notes.

The Company has other financial obligations in connection with rental and lease agreements. The resulting financial obligations have been taken into account in the table below:

in EUR k	2012	2011
Rental and lease obligations		
Due in less than 1 year	3,306	3,128
Due in 1 to 5 years	6,556	6,549
Due in more than 5 years	3,969	4,935
Total	**13,831**	**14,612**

Other financial obligations principally consist of tenancy obligations of EUR 10,783 k (prior year: EUR 11,965 k) entered into for the office building rented in Germany and vehicle lease agreements of EUR 1,864 k (prior year: EUR 1,974 k). The agreements include options to extend the terms and price escalation clauses as customary in the industry.

The company cars and communications equipment were also leased by means of lease agreements in order to guarantee that these are always up to date and to avoid tying up liquidity. These agreements result in cash outflows in future periods that are included in the above list.

No material income from sublease agreements is expected in future periods.

2. Related party disclosures

Related parties of the CENIT Group within the meaning of IAS 24 only concern the members of the Management Board and Supervisory Board, their dependants and associates.

Transactions with related parties were conducted by CENIT AG with one member of the Supervisory Board. This resulted in consulting expenses of EUR 32 k in the 2012 reporting period (prior year: EUR 30 k) due to CENIT AG and consulting expenses of EUR 1 k (prior year: EUR 1 k) due to an associate. The business was transacted at arm’s length conditions. Furthermore, CENIT AG recorded sales from trade with associates amounting to EUR 14,562 k (prior year: EUR 12,322 k).

As of the end of the reporting period, there were liabilities to related parties (persons) of EUR 24 k (prior year: EUR 219 k). The receivables from an associate are recognised separately in the statement of financial position.

The Company’s Management Board members were:

Dipl.-Wirt.-Ing. Christian Pusch, Waldachtal, spokesman of the Management Board of CENIT AG until 31 July 2012. Responsible for: finance, organisation, personnel and marketing

Dipl.-Ing. Kurt Bengel, Waiblingen, spokesman of the Management Board of CENIT AG since 1 August 2012. Responsible for: operations and investor relations

Mr. Pusch stepped down from the Management Board of CENIT AG as of 31 January 2013. Responsibility for finance, organisation and personnel was assumed by Dipl.-Wirt.-Inf. Matthias Schmidt, Bad Liebenzell, from 1 February 2013. Mr. Bengel is now responsible for marketing.

The Company’s Supervisory Board members were:

- Dipl.-Ing. Andreas Schmidt (independent management consultant), Ahrensburg, chairman, since 30 May 2008
- Dipl.-Kfm. Hubert Leypoldt (independent German public auditor, tax advisor, legal counsel), Dettingen/Erms, deputy chairman, since 30 May 2008
- Dip.-Ing. Andreas Karrer (Head of Department at CENIT Aktiengesellschaft, Stuttgart), Leinfelden-Echterdingen, employee representative, since 30 May 2008

In the reporting period, the remuneration of the Management Board members was as follows:

in EUR k	2012	2011
Christian Pusch		
Non-performance based salary	248	248
Performance based salary of which EUR 2k relating to other periods (previous year: EUR 7k)	121	98
Salary with long-term incentives of which EUR -45k relating to other periods (previous year: EUR 0k)	16	93
Kurt Bengel		
Non-performance based salary	245	242
Performance based salary of which EUR 2k relating to other periods (previous year: EUR 7k)	121	98
Salary with long-term incentives	121	93
Total	**872**	**872**

The remuneration was mainly for regular services performed during the reporting period and was due in the short term.

The variable remuneration component breaks down into a short-term and long-term component, with the short-term portion being paid out in the subsequent year. The long-term portion is paid out after three years provided that other criteria have been met. In additional, total annual remuneration is capped in each case to EUR 500,000.00.

The employment contracts of Mr. Pusch and Mr. Bengel contain compensation payments pursuant to Sec. 74 HGB for the term of a one-year ban on competition and full remuneration paid to the surviving dependents of deceased Management Board members for a six-month period. Provisions of EUR 303 k are reported as of the end of the reporting period due to the termination of the Management Board employment agreement.

No further pension obligations or benefits were promised in the event of termination of service. In the event that the Company terminates the agreement before its expiry without good reason, the Management Board member receives a severance payment of no more than twice the annual fixed remuneration agreed in the agreement for the remainder of the employment agreement. In any case, no more than the remaining term of the employment agreement will be remunerated.

In accordance with Article 14 of the articles of incorporation and bylaws, the amounts paid to the Supervisory Board were as follows in 2012:

in EUR k	2012	2012	2011	2011
	Fixed	Performance -based	Fixed	Performance -based
Andreas Schmidt	30.0	0	30.0	0
Hubert Leypoldt	22.5	0	22.5	0
Andreas Karrer	15.0	0	15.0	0
Total amount	**67.5**	**0**	**67.5**	**0**

The D&O insurance was continued in 2012 for Management Board members, Supervisory Board members as well as other executives. The premiums of EUR 23 k (prior year: EUR 25) were borne by the Company.

The Management Board held 6,000 shares as of the end of the reporting period (0.07% of capital stock). The Supervisory Board held 194,392 shares, i.e. 2.32% of the Company's capital stock.

3. Changes at shareholder level

On 14 August 2012, the Company received notification in accordance with Sec. 21 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] from Universal-Investment-Gesellschaft mbH:

Universal-Investment-Gesellschaft mbH, Frankfurt am Main, Germany, informed us on 14 August 2012 pursuant to Sec. 21 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 3% of voting rights on 13 August 2012 and amounted to 3.24% on that date (corresponding to 270,980 voting rights). 2.09% of the voting rights (corresponding to 174,588 voting rights) are allocable to the company pursuant to Sec. 22 (1) Sentence 1 No. 6 WpHG.

In a letter dated 20 August 2012, Axxion S.A. announced that its share of voting rights fell below the threshold of 5%. The notification pursuant to Sec. 21 (1) WpHG reads as follows:

"Dear Sir/Madam,

We hereby notify you in accordance with Sec. 21 (1) WpHG that our share of the voting rights in CENIT AG (ISIN DE0005407100) fell below the threshold of 5% on 14 August 2012 and now amounts to 4.97%.

Axxion S.A. holds 415,949 shares

Total number: 8,367,758 shares

Yours sincerely,

Axxion S.A.
Heiko Hector
Risk management"

4. Audit and advisory fees of the auditor

in EUR k	2012	2011
Fees for the audit of the financial statements and consolidated financial statements	111	106
thereof relating to other periods	-8	0
Fees for other services	3	29
Total	**114**	**135**

5. Events after the reporting period

There were no events after the reporting period that could have a significant influence on the Group's financial position and performance.

6. Declaration pursuant to Sec. 161 AktG on the German Corporate Governance Code

The Management Board and Supervisory Board of the Company have issued the declaration for 2012 required by Sec. 161 AktG and made it available on the Company's homepage (www.cenit.de).

Stuttgart, 1 March 2013

CENIT Aktiengesellschaft

The Management Board

Kurt Bengel
Spokesman of the Management Board

Matthias Schmidt
Member of the Management Board

AUDIT OPINION

We have audited the consolidated financial statements prepared by the CENIT Aktiengesellschaft, Stuttgart, comprising the balance sheet, the statement of comprehensive income, the income statement, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the management report of the CENIT-group and the company for the fiscal year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and the management report of the CENIT-group and the company in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to sec. 315a para. 1 HGB and the supplementary provisions of the articles of incorporation are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the management report of the CENIT-group and the company based on our audit.

We conducted our audit of the consolidated financial statements in accordance with sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the management report of the CENIT-group and the company are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the management report of the CENIT-group and the company are examined primarily on a test basis within the framework of the audit. The audit includes assessing the financial information of those components consolidated, the scope of the consolidation, the accounting and consolidation principles used and the significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the management report of the CENIT-group and the company. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to sec. 315a para. 1 HGB and the supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The management report of the CENIT-group and the company is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development."

Stuttgart, March 18, 2013

BDO AG
Wirtschaftsprüfungsgesellschaft

gez. Andreas Müller	gez. ppa. Martin Helmich
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

CORPORATE GOVERNANCE REPORT

Good corporate governance is a central part of business management at CENIT AG. The Management Board and Supervisory Board of CENIT AG welcome the introduction of the German Corporate Governance Code and have decided to implement and comply with the rules of the code throughout the CENIT group. Therefore, CENIT AG documents that responsible, value-based business management and control of this are of the highest priority in the CENIT group.

As a listed stock corporation, CENIT AG appreciates that shareholders provide the necessary growth capital and therefore also jointly carry the business risk. That's why a high degree of transparency, open and prompt communication with investors, efficient risk management, compliance with stock market regulations and business management which focuses on creating added value are already fundamental parts of the company philosophy.

CENIT AG already fulfils the high reporting standards required by admission to the Prime Standard of the regulated market. Consequently CENIT AG already satisfies many of the recommendations of the German Corporate Governance Code.

Declaration of compliance in accordance with Section 161 of the German Stock Corporation Act

The Management Board and the Supervisory Board have submitted a declaration of compliance with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act and made it available on the company's homepage www.cenit.de).

Declaration of corporate governance

The Management Board and Supervisory Board of the company have submitted a declaration of corporate governance for 2012 in accordance with Section 289a of the German Commercial Code and made this permanently available online via the following link: www.cenit.de/corporate/investor-relations/corporate-governance.html. The declaration of corporate governance (Section 289a of the German Commercial Code) includes the declaration of compliance, information on corporate governance practices and a description of the procedures of the Management Board and Supervisory Board.

Procedures of the Management Board and Supervisory Board

The Management Board and the Supervisory Board work together closely for the welfare of the company.

The Management Board informs the Supervisory Board regularly, promptly and comprehensively on the course of business, the economic and financial development of CENIT and also the risk situation, risk management, compliance issues and fundamental issues relating to corporate strategy. Major decisions require the consent of the Supervisory Board.

The main task of the Supervisory Board is to advise and supervise the Management Board. Employees' interests are represented fairly by the employees' representatives on the Supervisory Board. Regular Supervisory Board meetings are held; additional telephone conferences are also held if required. No committees have been formed due to the small number of members on the Supervisory Board.

When filling managerial roles and making decisions on personnel issues, the Supervisory Board and Management Board are guided solely by the ability and qualifications of the candidates available; no separate or special importance is placed on gender.

The same applies when electing board members. This is done based on suitability and qualifications. In the opinion of CENIT AG, the special significance of other criteria given by the code would restrict the selection of possible candidates for the Management Board/Supervisory Board. It should also be taken into consideration that currently the Management Board only consists of two members and the Supervisory Board just three.

The Supervisory Board and Management Board expressly welcome all efforts to counteract sexism or other types of discrimination and to fairly promote diversity.

Supervisory Board

The Supervisory Board advises and supervises the Management Board. The Supervisory Board of CENIT AG consists of three members. Two of the members are elected by the Annual General Meeting and one member is elected by the employees of the company. The Chairman of the Supervisory Board is chosen from the members of the Supervisory Board.

The Supervisory Board appoints the members of the Management Board. It supervises and provides advice on the direction of the company by the Management Board. Major decisions made by the Management Board require the approval of the Supervisory Board. Remuneration of the Supervisory Board is not based on performance. In the reporting year there were no changes in the membership of the Supervisory Board.

In accordance with Section 14 of the Articles of Association, the salaries of the Supervisory Board in 2012 were:

in EUR k	2012	2012	2011	2011
	Non-performance based salary	Performance based salary	Non-performance based salary	Performance based salary
Andreas Schmidt	30.0	0	30.0	0
Hubert Leypoldt	22.5	0	22.5	0
Andreas Karrer	15.0	0	15.0	0
Total amount	**67.5**	**0**	**67.5**	**0**

Management Board

The Management Board is the governing body of the company. It manages the business of the company within company law regulations under its own responsibility. It is committed to the interests of the company and bound to the principles of business policy. It informs the Supervisory Board regularly, promptly and comprehensively of all fundamental issues relating to business development, the company strategy and possible risks. The remuneration of the Management Board is comprised of performance based and fixed parts. In the reporting year there were no changes in the membership of the Management Board.

In the reporting year the salaries of the Management Board were:

in EUR k	2012	2011
Christian Pusch		
Non-performance based salary	248	248
Performance based salary of which EUR 2k relating to other periods (previous year: EUR 7k)	121	98
Salary with long-term incentives of which EUR -45k relating to other periods (previous year: EUR 0K)	16	93
Kurt Bengel		
Non-performance based salary	245	242
Performance based salary of which EUR 2k relating to other periods (previous year: EUR 7k)	121	98
Salary with long-term incentives	121	93
Total	**872**	**872**

This fundamentally relates to short-term remuneration for on-going activities in the financial year.

Employment contracts for the members of the Management Board were renegotiated between the Supervisory Board and the Management Board in December 2010. The statutory provisions of the German Act on the Appropriateness of Management Board Remuneration were taken into consideration when doing so. The new regulations came into effect on 1 January 2011. Variable remuneration was divided into short-term and long-term parts, whereby the short-term proportion is payable in the following year. The long-term part is paid after three years provided that other criteria have been fulfilled. Furthermore, the total annual salary was capped at EUR 500,000.00 each.

In the employment contracts of Mr Pusch and Mr Bengel compensation payments in accordance with Section 74 of the German Commercial Code for a non-competition clause lasting one year and continued remuneration for six months for the benefit surviving dependents of the Management Board have been agreed. Based on contractual agreements relating to the departure of Mr Pusch from the Management Board on 31 January 2013 and from the company on 31 July 2013, provisions in the sum of EUR 303k were formed which affected the result of the financial year.

No other pension provisions and benefits have been promised to Management Board members in the event that they terminate their employment. In the event that the company terminates the contract prematurely without good reason, the member of the Management Board shall receive compensation in the sum of the fixed remuneration agreed in the contract for the remainder of the employment contract, up to a maximum of two years remuneration. In any case, no more than the remainder of the employment contract will be paid.

Management Board and Supervisory Board shareholdings

Shareholdings as at 31 December 2012

Total number of shares: 8,367,758

Management Board:		Supervisory Board:	
Kurt Bengel:	6,000	Andreas Schmidt:	191,792
Christian Pusch:	0	Hubert Leypoldt:	1,600
		Andreas Karrer:	1,000

Stock option programme

Virtual stock options: “Virtual stock options” have been issued to a limited number of employees. These are a form of non-performance based remuneration linked to price developments, not the annual result. Beneficiaries were granted a virtual option right of 10,000 shares in CENIT AG each, at a subscription price of EUR 4.00 or EUR 5.50 each. The exercising of the option is subject to a blocking period of three years from issuance; the options expire after five years. Furthermore, it is only possible to exercise the shares if a price threshold of EUR 6.99 or EUR 8.00 is exceeded.

Shareholders and Annual General Meeting

Our shareholders exercise their rights in the company’s Annual General Meeting. The Annual General Meeting is held in the first six months of a financial year. The Chairman of the Supervisory Board is also the Chairman of the Annual General Meeting. The Annual General Meeting makes decisions on all tasks assigned to it by law (electing members of the Supervisory Board, amending the Articles of Association, allocating profit and capital measures, amongst other things).

All documents and information on the Annual General Meeting are made available to the shareholders in good time on our website.

Financial Reporting and Auditing

The consolidated financial statements of CENIT Aktiengesellschaft, Stuttgart, are compiled by the Management Board in compliance with the International Financial Reporting Standards (IFRS), as applicable in the EU, and the applicable supplementary commercial standards in accordance with Section 315a Para. 1 of the German Commercial Code. The consolidated financial statements are reviewed by the auditor and approved by the Supervisory Board. The consolidated financial statements are made publicly available within 120 days as required by law.

The auditor is BDO Aktiengesellschaft Wirtschaftsprüfungsgesellschaft.

It has been agreed with the auditor that the Chairman of the Supervisory Board shall be informed immediately of cause for exclusion or exemption and of errors in the declaration of compliance which arise during the audit. The auditor immediately reports to the Chairman of the Supervisory Board on all questions and incidents relating to the fundamental task of the Supervisory Board which arise during the audit.

Transparent Corporate Governance

Reports on the business situation and the results of CENIT AG are compiled comprehensively and promptly in the form of an annual report, quarterly reports and a half-yearly financial report. The corresponding dates are published at the beginning of every financial year in our investor relations financial calendar. Articles of Association, presentations, press releases and ad-hoc announcements are also made available. All announcements and reports are accessible online at www.cenit.de/de/corporate/investor-relations.html. CENIT AG has compiled the mandatory list of insiders. The persons concerned have been informed of the statutory obligations and sanctions.

Development of CENIT shares on the financial market

Diagram: Share price development 2012

Source: wallstreet online CENIT Aktiengesellschaft, Stuttgart

CENIT shares began the trading year at a price of EUR 5.10 and ended the year at EUR 7.15. The average trade volume over the 52 weeks of the year was 21,688 shares (previous year: 17,553 shares) per day. The average price in 2012 was EUR 6.42. CENIT AG shares reached an annual high of EUR 7.48; the annual low was EUR 4.84. Altogether more than 5.5m shares were traded. Due to the high free float the shareholder structure can only be determined approximately, which results in the following overview of the size and structure of the shareholder group:

Distribution of shares in the shareholder group as at 31 December 2012

The following investors have a notifiable shareholding:

Company	Declared on	Shares	%
PRODYNA	17.12.2010	440,000	5.26
LBBW Asset Management	15.11.2011	385,421	4.61
Axxion	20.08.2012	415,949	4.97
Allianz Global Investors	01.04.2011	289,713	3.46
Union-Investment-Gesellschaft mbH	14.08.2012	270,980	3.24
Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte	05.08.2011	262,000	3.13

Source: CENIT AG, Stuttgart

Research reports on CENIT are currently published by four banks and analyst firms. This relates to recommendations made by Hauck & Aufhäuser, Hamburg, equinet Bank AG, Frankfurt, GBC AG, Augsburg and Mirabaud Securities, London. CENIT shares are listed in the Prime Standard of the German stock exchange and fulfil the valid international transparency requirements.

OUTLOOK FOR THE STOCK MARKETS

2012 was one of the best years for the stock markets for a long time. Having begun the year with around 5,900 points, DAX had increased by almost 30 per cent by the end of the year and in doing so demonstrated the biggest increase since 2003.

The financial markets were the subject of more political decisions in 2013 than ever before. After a turbulent second quarter characterised by the consequences of the Euro crisis, the markets re-stabilised in the middle of the year. Above all, the statement made by ECB President Mario Draghi that he would “do whatever it takes” eased the debt crisis considerably. In addition, the long-term European rescue package adopted in Autumn provided further stability and the German economy proved itself to be an exceptionally stable driver of growth during the course of the year.

All in all, investors can be satisfied with the development of the share markets in 2012 - despite all the adversity such as the never-ending European debt crisis, the difficulties in Greece and the US budget dispute.

The European debt crisis may still have some effect on 2013. However, bank experts expect that the capital markets are well protected with the existing, fully operational rescue mechanisms and adequate liquidity. With high equity ratios, low debt, continued optimism and a “healthy mix” of exports, German companies are currently in a good position.

According to analysts, the US budget dispute and the continued strained financial situation in Spain and Italy are a source of uncertainty. If these problems are resolved, thing could start to look up again.

Analysts interviewed by Reuters are optimistic about the 2013 trading year and expect DAX to have over 8,000 points by the end of the year.

RESPONSIBILITY STATEMENT IN THE ANNUAL FINANCIAL REPORT

(GROUP FIANANCIAL REPORT)

After considering comments received, the German Accounting Standards Board (GASB) agreed at its 114th meeting on the following wording of the responsibility statement required by section 37y no. 1 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) in conjunction with sections 297(2) sentence 2 and 315(1) sentence 6 of the Handelsgesetzbuch (HGB – German Commercial Code) for the Group financial statements:

“To the best of our knowledge, and in accordance with the applicable reporting principles, the Group financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a

description of the principal opportunities and risks associated with the expected development of the group.”

For the sake of completeness, it should be noted that if an entity is obliged to prepare an annual financial report in accordance with section 37v(1) and (2) of the WpHG, it must also comply with the requirements of sections 264(2) sentence 3 and 289(1) sentence 5 of the HGB (single-entity financial statements).

The Management Board

Kurt Bengel
Spokesman of the Management Board

Matthias Schmidt
Member of the Management Board

Financial Statement AG

25 JAHRE CENIT

CENIT Aktiengesellschaft, Stuttgart

BALANCE SHEET as of 31 December 2012

		31 Dec. 2012	31 Dec. 2011
ASSETS		EUR	EUR
A. FIXED ASSETS			
I. Intangible assets			
Purchased franchises, industrial and similar rights and assets and licenses in such rights and assets		489,679.39	507,187.64
II. Property, plant and equipment			
1. Land and buildings including buildings on third-party land	815,122.58		637,494.69
2. Plant and machinery	1,919,306.08		1,379,056.69
3. Other equipment, furniture and fixtures	144,380.40		111,238.73
4. Payments on account and assets under construction	0.00		44,228.00
		2,878,809.06	2,172,018.11
III. Financial assets			
1. Shares in affiliates	923,314.22		923,314.22
2. Equity investments	52,554.25		52,554.25
3. Securities classified as fixed assets	2,000,000.00		2,000,000.00
		2,975,868.47	2,975,868.47
B. CURRENT ASSETS			
I. Inventories			
1. Work in process	439,830.18		1,500,772.66
2. Merchandise	88,000.00		106,729.36
3. Payments on account	9,717.49		145,684.95
		537,547.67	1,753,186.97
II. Receivables and other assets			
1. Trade receivables	13,281,024.65		12,036,084.53
2. Receivables from affiliates	228,108.48		2,485,947.66
3. Receivables from other investees and investors	3,466,178.16		3,909,366.64
4. Other assets	565,032.67		798,470.07
		17,540,343.96	19,229,868.90
III. Securities			
Other securities		0.00	966,100.00
IV. Cash on hand, bank balances and cheques		19,802,190.04	13,027,722.79
C. PREPAID EXPENSES			
Prepaid expenses		3,880,026.48	2,973,984.66
		48,104,465.07	**43,605,937.54**

CENIT Aktiengesellschaft, Stuttgart

BALANCE SHEET as of 31 December 2012

		31 Dec. 2012	31 Dec. 2011
EQUITY AND LIABILITIES	EUR	EUR	EUR
A. EQUITY			
I. Subscribed capital		8,367,758.00	8,367,758.00
II. Capital reserves		1,058,017.90	1,058,017.90
III. Revenue reserves			
1. Legal reserve		418,387.90	418,387.90
2. Other revenue reserves		13,970,955.48	12,270,955.48
IV. Net retained profit		4,650,384.74	2,613,327.98
		28,465,504.02	**24,728,447.26**
B. PROVISIONS			
1. Tax provisions	1,341,237.08		158,049.59
2. Other provisions	6,017,553.44		6,728,457.95
		7,358,790.52	**6,886,507.54**
C. LIABILITIES			
1. Payments received on account of orders	1,457,570.88		3,151,508.58
2. Trade payables	3,650,164.83		3,070,379.03
3. Liabilities to affiliates	259,235.30		92,503.15
4. Liabilities to other investees and investors	20,105.00		217,107.41
5. Other liabilities	2,104,414.17		2,129,040.47
thereof for social security: EUR 0.00 (prior year: EUR 0 k)			
thereof for taxes: EUR 1,693,701.98 (prior year: EUR 1,857 k)			
		7,491,490.18	**8,660,538.64**
D. DEFERRED INCOME		**4,788,680.35**	**3,330,444.10**
		48,104,465.07	**43,605,937.54**

CENIT Aktiengesellschaft, Stuttgart

INCOME STATEMENT

for the fiscal year from 1 January to 31 December 2012

				2012	2011
			EUR	EUR	EUR
1.	Revenue		104,693,200.56		92,914,748.38
2.	Decrease/increase in inventories of unbilled services		-1,060,942.48		707,287.57
3.	Other operating income		1,125,416.35		1,314,581.94
	thereof income from currency translation: EUR 87,714.55 (prior year: EUR 121 k)				
				104,757,674.43	94,936,617.89
4.	Cost of materials				
a.	Cost of raw materials, consumables and supplies and of merchandise		30,200,413.83		26,115,153.72
b.	Cost of purchased services		9,382,992.76		8,218,535.58
				39,583,406.59	34,333,689.30
5.	Personnel expenses				
a.	Salaries		35,000,365.49		34,714,649.01
b.	Social security and pension costs		6,035,065.49		5,724,604.58
				41,035,430.98	40,439,253.59
6.	Amortisation of intangible assets and depreciation of property, plant and equipment			1,427,788.92	1,558,039.37
7.	Other operating expenses			14,731,293.11	14,227,470.28
	thereof from currency translation: EUR 97,640.97 (prior year: EUR 112 k)				
				7,979,754.83	4,378,165.35
8.	Income from equity investments thereof from affiliates: EUR 874,833.41 (prior year: EUR 0 k)			874,833.41	0.00
9.	Income from other securities and loans classified as fixed financial assets			36,602.10	48,347.59
10.	Other interest and similar income thereof from affiliates: EUR 15,587.11 (prior year EUR 38 k)			132,917.32	228,661.68
11.	Interest and similar expenses			37,612.04	13,434.52
	thereof to affiliates: EUR 0.00 (prior year: EUR 0 k)				
	thereof from unwinding of the discount on provisions: EUR 20,991.38 (prior year: EUR 6 k)				
12.	Result from ordinary activities			8,986,495.62	4,641,740.10
13.	Income taxes			2,681,628.72	1,498,966.47
14.	Other taxes			57,482.74	63,541.79
15.	**Net income for the year**			**6,247,384.16**	**3,079,231.84**

CENIT Aktiengesellschaft, Stuttgart

STATEMENT OF CHANGES IN FIXED ASSETS FOR 2012

	Acquisition and production cost				
in EUR	**As of 1 Jan. 2012**	**Additions**	**Disposals**	**Reclassi-fication**	**As of 31 Dec. 2012**
I. Intangible assets					
Purchased franchises, industrial and similar rights and assets and licenses in such rights and assets	2,358,256.76	342,912.60	786,347.15	0.00	1,914,822.21
II. Property, plant and equipment					
1. Land and buildings including buildings on third-party land	1,580,014.81	182,839.33	72,988.56	44,228.00	1,734,093.58
2. Plant and machinery	7,926,704.80	1,370,489.71	3,533,279.74	0.00	5,763,914.77
3. Other equipment, furniture and fixtures	811,568.25	233,981.30	448,642.09	0.00	596,907.46
4. Payments on account and assets under construction	44,228.00	0.00	0.00	-44,228.00	0.00
Total	10,362,515.86	1,787,310.34	4,054,910.39	0.00	8,094,915.81
III. Financial assets					
1. Shares in affiliates	923,314.22	0.00	0.00	0.00	923,314.22
2. Equity investments	52,554.25	0.00	0.00	0.00	52,554.25
3. Securities classified as fixed assets	2,000,000.00	0.00	0.00	0.00	2,000,000.00
Total	2,975,868.47	0.00	0.00	0.00	2,975,868.47
Fixed assets - total -	15,696,641.09	2,130,222.94	4,841,257.54	0.00	12,985,606.49

Accumulated amortisation, depreciation and write-downs				Net book values	
As of 1 Jan. 2012	Additions	Disposals	As of 31 Dec. 2012	As of 31 Dec. 2012	As of 31 Dec. 2011
1,851,069.12	360,192.97	786,119.27	1,425,142.82	489,679.39	507,187.64
942,520.12	49,433.83	72,982.95	918,971.00	815,122.58	637,494.69
6,547,648.11	826,486.70	3,529,526.12	3,844,608.69	1,919,306.08	1,379,056.69
700,329.52	191,675.42	439,477.88	452,527.06	144,380.40	111,238.73
0.00	0.00	0.00	0.00	0.00	44,228.00
8,190,497.75	1,067,595.95	4,041,986.95	5,216,106.75	2,878,809.06	2,172,018.11
0.00	0.00	0.00	0.00	923,314.22	923,314.22
0.00	0.00	0.00	0.00	52,554.25	52,554.25
0.00	0.00	0.00	0.00	2,000,000.00	2,000,000.00
0.00	0.00	0.00	0.00	2,975,868.47	2,975,868.47
10,041,566.87	1,427,788.92	4,828,106.22	6,641,249.57	6,344,356.92	5,655,074.22

NOTES TO THE FINANCIAL STATEMENTS FOR 2012

A. General

These financial statements have been prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB [“Handelsgesetzbuch”: German Commercial Code] as well as in accordance with the relevant provisions of the AktG [“Aktiengesetz”: German Stock Corporation Act]. The Company is subject to the requirements for large corporations. The standards of the German Accounting Standards Committee e.V., Berlin, (GASC) have been observed to the extent that they are relevant for the financial statements of the Company.

The income statement is classified using the nature of expense method.

B. Accounting principles

The following accounting and valuation methods, which essentially remained unchanged in comparison to the prior year, have been used to prepare the financial statements.

Acquired **intangible assets** are recognised at acquisition cost and are amortised over their useful lives using the straight-line method if they have a limited life. Additions are amortised pro rata temporis. The depreciation tables published by the German Ministry of Finance serve as a guide here.

Property, plant and equipment are recognised at acquisition or production cost and are depreciated if they have a limited life. Depreciation is recorded over the customary useful life using the straight-line method. The depreciation tables published by the German Ministry of Finance serve as a guide here.

Low-value assets with an individual net value not exceeding EUR 150 were fully expensed in the year of acquisition. Assets with an individual net value not exceeding EUR 410 in value are fully expensed in the year of acquisition with their immediate disposal being assumed. For convenience, the collective item procedure applied for tax purposes to assets acquired after 31 December 2007 and before 1 January 2010 with an individual net value of more than EUR 150 but no greater than EUR 1,000 is also used in the commercial balance sheet. The collective item is written down on a lump-sum basis over the customary useful life of three years.

Financial assets are recognised at the lower of cost or market.

Work in process is valued at production cost or, in the case of third-party work, at acquisition cost. Own work comprises direct labour and appropriate, proportionate overheads for administration, write-downs and rent.

Merchandise is recognised at the lower of cost or market as of the balance sheet date.

Receivables and other assets are stated at their nominal value. All identifiable specific risks are taken into account in the valuation. A general bad debt allowance of 1% (prior year: 1%) was established for the general credit risk. Non-interest bearing receivables due in more than one year are discounted.

Provisions account for all foreseeable risks and contingent liabilities and are recognised at the settlement value deemed necessary according to prudent business judgment. Expected future cost increases are included in valuing the provisions. Provisions with a residual term of more than one year were discounted at the average market interest rate of the last seven fiscal years for their respective residual term. The provision for general warranties is recorded in the reporting year at 0.5% (prior year: 0.5%) of sales. A provision of EUR 131 k was recognised in the fiscal year for individual cases of warranty (prior year: EUR 300 k).

Liabilities are recorded at the settlement value.

To determine **deferred taxes** arising due to timing or temporary differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts, the resulting tax burden and relief are valued using the company-specific tax rate at the time the differences reverse; these amounts are not discounted. The option not to recognise deferred tax assets was exercised.

Foreign currency assets and liabilities were translated using the average spot rate on the balance sheet date. If they had residual terms of more than one year, the realisation principle (Sec. 252 (1) No. 4 Clause 2 HGB) and the historical cost principle (Sec. 253 (1) Sentence 1 HGB) were applied.

Revenue relates to the income recorded from normal business activities. Revenue is reported as a net figure, i.e. excluding VAT and less sales deductions. Revenue is recognised when the transfer of risk to the customer has taken place in the case of a delivery, or when the contractually owed performance has been provided in the case of services. The recognition of revenue from license transactions depends on whether a temporary or permanent right of use is granted. If license transactions are carried out that grant the licensee a temporary right of use, revenue is recognised on a straight-line basis over the performance period. If the licenses grant a permanent right of use, the once-off primary license charge (PLC) payable on a regular basis is reported on the date of obtaining control and the annual license charge (ALC) is reported as revenue pro rata temporis.

C. Notes to the balance sheet and income statement

I. Balance sheet

1. Fixed assets

The development of fixed asset items is presented separately in the statement of changes in fixed assets (page 4f).

2. Financial assets

The information on shareholdings breaks down as follows:

No.	Name and location of registered offices	Cur-rency	Share-holding in %	Subscribed capital LC k	Equity LC k	Earnings LC k
1	CENIT (Schweiz) AG Effretikon, Switzerland	CHF	100.0	500	2,136	973
2	CENIT NORTH AMERICA Inc. Auburn Hills, USA	USD	100.0	25	2,217	785
3	CENIT SRL Iasi, Romania	RON	100.0	344	883	397
4	CENIT FRANCE SARL Toulouse, France	EUR	100.0	10	201	82
5	CENIT Japan K.K. Tokyo, Japan	YEN	100.0	34,000	2,893	-11,320
6	CenProCS AIRliance GmbH Stuttgart, Germany	EUR	33.3	150	153	0

3. Receivables and other assets

Trade receivables are all due in less than one year.

Receivables from affiliates valued at EUR 228 k (prior year: EUR 491 k) and **receivables from other investees and investors** valued at EUR 3,466 k (prior year: EUR 3,909 k) stem entirely from trade and are due in less than one year. The loan receivable disclosed in the prior year (EUR 1,995 k) from CENIT (Schweiz) AG was repaid in full in the fiscal year. EUR 559 k of this receivable was due in more than one year.

Other assets primarily consist of EUR 461 k (prior year: EUR 749 k) of assets relating to tax refund claims. This includes EUR 40 k (prior year: EUR 252 k) in tax refund claims from corporate income tax, solidarity surcharge and trade tax as well as the credit balance of EUR 421 k (prior year: EUR 497 k) from the tax moratorium. EUR 328 k (prior year: EUR 403 k) of the credit balance from the moratorium is long term, with a residual term of more than one year. The credit balance from the moratorium came into existence as of 31 December 2006. It is not subject to interest and has thus been discounted by 4% to its present value. Payment is due between 2008 and 2017 in ten equal annual amounts.

4. Prepaid expenses

in EUR k	31 Dec. 2012	31 Dec. 2011
Accrued rights of use for licenses	3,434	2,638
Other prepaid expenses	446	336
	3,880	**2,974**

This mainly concerns prepaid expenses for licenses and for rights of use and insurance.

5. Deferred taxes

Deferred taxes stem chiefly from accounting and valuation differences between the statutory accounts and the tax accounts. These differences relate mostly to other provisions and the collective item for low-value assets, which is written down over five years for tax purposes and over three years in the statutory accounts.

On the whole there are net deferred tax assets, and the option to capitalise these deferred tax assets was not exercised.

Deferred tax assets must be calculated based on a tax rate of 30% (prior year: 30%).

6. Equity

Capital stock

As per the most recent entry in the commercial register on 14 August 2006, the capital stock of the Company amounts to EUR 8,367,758.00 and has been fully paid in. It is divided into 8,367,758 no-par value shares of EUR 1.00 each. The shares are made out to the bearer and are all no-par value common shares.

Authorised capital

The Management Board is authorised, with the approval of the Supervisory Board, to increase the capital stock by up to EUR 4,183,879.00 in total by 25 May 2016 by issuing on one or more occasions new no-par value bearer shares in return for cash contributions or contributions in kind (authorised capital 2011). The number of shares must increase in direct proportion to the increase in capital stock. The shareholders must be given a subscription right. The new shares can also be assumed by one bank or by several banks with the obligation to offer them to the Company's shareholders for purchase.

However, the Management Board is authorised, with the approval of the Supervisory Board, to preclude the shareholders' statutory subscription right in the following cases:

a) The Management Board is authorised, with the approval of the Supervisory Board, to preclude any fractional shares from the shareholders' subscription right.

b) The Management Board is authorised, with the approval of the Supervisory Board, to preclude the shareholders' subscription right in the event of a capital increase in return for a contribution in kind if the contribution in kind is made with the purpose of acquiring companies, parts of companies and/or equity investments in companies or in the course of business combinations.

c) The Management Board is authorised, with the approval of the Supervisory Board, to preclude the shareholders' subscription right in the event of a capital increase in return for a cash contribution if the capital increases passed on the basis of this approval do not exceed a total of 10% of the existing capital stock as of the date of the resolution by the shareholder meeting or as of the date on which the approval is exercised, whichever is lower, and if the issue amount is not substantially less than the quoted market price. The maximum limit of 10% of the capital stock is reduced by the proportionate amount of the capital stock accounted for by those treasury shares of the Company that were sold during the term of the authorised capital with exclusion of the subscription right of the shareholders in accordance with Sec. 71 (1) No. 8 Sentence 5 AktG and Sec. 186 (3) Sentence 4 AktG.

The total number of shares issued based on this authorisation in return for cash contributions and contributions in kind with exclusion of the subscription right of the shareholders cannot exceed a proportionate amount of capital stock of EUR 1,673,551 (20% of current capital stock). The Management Board is authorised, subject to approval of the Supervisory Board, to decide on further details of the capital increase and the conditions of the share issue.

The Supervisory Board is authorised to adjust the version of Article 5 of the articles of incorporation and bylaws after partial or full implementation of the increase in capital stock in accordance with the respective utilisation of the authorised capital.

7. Capital reserves

The capital reserves remained unchanged in the fiscal year, at EUR 1,058 k.

8. Legal reserve

At EUR 418 k, the legal reserves have also remained unchanged in comparison to the prior year.

9. Other revenue reserves

Other revenue reserves rose by EUR 1,700 k from EUR 12,271 k in the prior year to EUR 13,971 k.

10. Net retained profit

Net retained profit developed as follows:

in EUR k	2012	2011
Net income for the year	**6,247**	**3,079**
Net retained earnings in the prior year	2,613	1,389
Dividend	-2,510	-1,255
Profit carryforward from the prior year	**103**	**134**
Transfer to other revenue reserves	-1,700	-600
Net retained profit	**4,650**	**2,613**

11. Provisions

Other provisions essentially comprise provisions for personnel expenses of EUR 3,803 k (prior year: EUR 4,094 k), provisions for warranties of EUR 654 k (prior year: EUR 773 k), provisions for outstanding supplier invoices of EUR 673 k (prior year: EUR 938 k) and provisions for long-service bonuses of EUR 318 k (prior year: EUR 319 k).

12. Liabilities

As in the prior year, **trade payables** have a remaining term of less than one year.

Liabilities to affiliates include trade payables of EUR 190 k (prior year: EUR 26 k). They also include prepayments received amounting to EUR 69 k (prior year: EUR 67 k). As in the prior year, liabilities to affiliates are due within one year.

The **liabilities to other investees and investors** contain trade payables amounting to EUR 0 k (prior year: EUR 35 k). They also include liabilities from prepayments received amounting to EUR 20 k as of the balance sheet date (prior year: EUR 182 k). As in the prior year, the corresponding liabilities are due within one year.

Other liabilities include deferred items of EUR 277 k (prior year: EUR 104 k). This entire figure relates to the deferred rent (prior year: EUR 82 k). The prior-year figure still included outstanding operating costs (EUR 22 k) for the office building in Stuttgart. EUR 1,862 k (prior year: EUR 2,054 k) of other liabilities is due within one year, while EUR 101 k (prior year: EUR 41 k) is due in more than five years. The long-term portion stems from the deferral of rent.

II. Income statement

1. Revenue

in EUR k	2012	2011
CENIT software	10,822	10,555
Third-party software	39,929	34,757
CENIT consulting and service	53,297	47,341
Merchandise	645	262
Total	**104,693**	**92,915**

90% (prior year: 89%) of sales was generated in Germany, 4% (prior year: 5%) in other EU countries and 6% (prior year: 6%) in other countries.

2. Other operating income

Among other things, other operating income includes income from cross-charged salary and administrative costs of EUR 530 k (prior year: EUR 478 k), insurance refunds of EUR 7 k (prior year: EUR 86 k), rental income from subletting of EUR 17 k (prior year: EUR 241 k), income from the reversal of provisions of EUR 259 k (prior year: EUR 116 k), marketing and sales subsidies from partner companies of EUR 77 k (prior year: EUR 55 k) and exchange gains of EUR 88 k (prior year: EUR 121 k).

3. Personnel expenses

in EUR k	2012	2011
Salaries	35,000	34,714
Social security contributions	6,035	5,725
Total	**41,035**	**40,439**

Social security contributions include pension costs of EUR 37 k (prior year: EUR 7 k).

4. Other operating expenses

Total other operating expenses rose by 3.5% compared to the prior year to EUR 14,731 k (prior year: EUR 14,227 k). Other operating expenses essentially relate to premises expenses of EUR 2,561 k (prior year: EUR 3,173 k), vehicle costs of EUR 2,662 k (prior year: EUR 2,716 k), travel expenses of EUR 1,933 k (prior year: EUR 1,962 k), marketing costs of EUR 1,282 k (prior year: EUR 1,119 k) and exchange losses of EUR 98 k (prior year: EUR 112 k).

5. Financial and interest result

The financial and interest result breaks down as follows:

in EUR k	2012	2011
Income from equity investments		
Dividend CENIT NORTH AMERICA	775	0
Dividend CENIT SRL Romania	100	0
Total	**875**	**0**

in EUR k	2012	2011
Income from other long-term investments		
Interest income	37	48
Total	**37**	**48**

in EUR k	2012	2011
Other interest and similar income		
Bank interest and interest from securities	98	169
Interest on loans granted to subsidiaries	16	38
Income from the tax moratorium	19	22
Total	**133**	**229**

in EUR k	2012	2011
Interest and similar expenses		
Guarantee commission	10	7
Interest expenses for company taxes	7	0
Interest expense from unwinding the discount on provisions	21	6
Total	**38**	**13**

6. Income / expenses relating to other periods

Income relating to other periods includes income from the reversal of provisions totalling EUR 259 k (prior year: EUR 116 k). In the prior year, income of EUR 48 k from cross-charged administrative costs was also included. Expenses of EUR 100 k relating to other periods are personnel related (prior year: EUR 38 k).

7. Extraordinary expenses

There were no extraordinary expenses in the fiscal year 2012.

8. Income taxes

in EUR k	2012	2011
Current corporate income tax expense	1,224	697
Current solidarity surcharge expense	68	35
Current trade tax expense	1,340	756
Withholding tax	38	0
Taxes in prior years	12	11
Total	**2,682**	**1,499**

Taxes mainly include corporate income tax and the solidarity surcharge of EUR 1,292 k (prior year: EUR 732 k) as well as trade tax of EUR 1,340 k (prior year: EUR 756 k) on the taxable income for the fiscal year 2012.

9. Proposal for the appropriation of profit

The following appropriation of retained earnings will be proposed at the shareholder meeting:

in EUR k	
Net retained profit	4,650
Dividend distribution (55 cents per 8,367,758 participating no-par value shares)	4,602
Profit carryforward	48

10. Audit and advisory fees of the auditor

The information on auditors’ fees pursuant to Sec. 285 No. 17 HGB is provided in the consolidated financial statements of CENIT AG.

D. Other notes

1. Personnel

An average of 578 (prior year: 579) members of staff were employed during the fiscal year, plus 41 (prior year: 37) trainees.

2. Contingent liabilities and other financial obligations

There are other financial obligations in connection with rental agreements and leases. The resulting financial obligations are included in the following table:

in EUR k	2012	2011
Rent and lease obligations		
Due within 1 year	3,104	2,915
Due in 1 to 5 years	6,321	6,496
Due in more than 5 years	3,969	4,935
Total	**13,394**	**14,346**

Other financial obligations chiefly comprise the rent agreements entered into for leased office buildings of EUR 10,783 k (prior year: EUR 11,965 k) as well as vehicle leases of EUR 1,864 k (prior year: EUR 1,974 k). The extension options and price adjustment clauses customary for the industry apply.

The company cars and communications equipment were leased by means of lease agreements in order to guarantee that these are always up to date and to avoid tying up liquidity. Renting office space also avoids tying up cash and cash equivalents. These agreements result in cash outflows in future periods that are included in the above list.

3. Corporate boards

During the fiscal year the following persons were **members of the Management Board**:

Dipl.-Wirt.-Ing. Christian Pusch, Waldachtal, spokesman of the Management Board of CENIT AG until 31 July 2012. Responsible for: finance, organisation, personnel and marketing

Dipl.-Ing. Kurt Bengel, Waiblingen, spokesman of the Management Board of CENIT AG since 1 August 2012. Responsible for: operations and investor relations

Mr. Pusch stepped down from the Management Board of CENIT AG as of 31 January 2013. Responsibility for finance, organisation and personnel was assumed by Dipl.-Wirt.-Inf. Matthias Schmidt, Bad Liebenzell, from 1 February 2013. Mr. Bengel is now responsible for marketing.

The following members make up the **Supervisory Board**:

- Dipl.-Ing. Andreas Schmidt (independent management consultant), Ahrensburg, chairman
- Dipl.-Kfm. Hubert Leypoldt (independent German public auditor, tax advisor, legal counsel), Dettingen/Erms, deputy chairman
- Dipl.-Ing. Andreas Karrer, Leinfelden-Echterdingen, employee representative

The members of the Supervisory Board do not belong to any other Supervisory Boards.

In the reporting period, the remuneration of the Management Board members was as follows:

in EUR k	2012	2011
Christian Pusch		
Non-performance based salary	248	248
Performance based salary of which EUR 2k relating to other periods (previous year: EUR 7k)	121	98
Salary with long-term incentives of which EUR -45k relating to other periods (previous year: EUR 0K)	16	93
Kurt Bengel		
Non-performance based salary	245	242
Performance based salary of which EUR 2k relating to other periods (previous year: EUR 7k)	121	98
Salary with long-term incentives	121	93
Total	**872**	**872**

The employment contracts of Mr. Pusch and Mr. Bengel contain compensation payments pursuant to Sec. 74 HGB for the term of a one-year ban on competition and full remuneration paid to the surviving dependents of deceased Management Board members for a six-month period. Provisions of EUR 303 k are disclosed as of the balance sheet date due to the termination of the Management Board employment agreement.

No further pension obligations or benefits were promised in the event of termination of service.

In accordance with Article 14 of the articles of incorporation and bylaws, the amounts paid to the Supervisory Board were as follows in 2012:

in EUR k	2012	2012	2011	2011
	Fixed remuneration	Performance-related remuneration	Fixed remuneration	Performance-related remuneration
Andreas Schmidt	30	0	30	0
Hubert Leypoldt	22.5	0	22.5	0
Andreas Karrer	15	0	15	0
Total	**67.5**	**0**	**67.5**	**0**

The D&O insurance was continued in 2012 for Management Board members, Supervisory Board members as well as other executives. The premiums of EUR 23 k (prior year: EUR 25 k) were borne by the Company.

The Management Board held 6,000 shares as of the balance sheet date (0.07%). The Supervisory Board members held 194,392 shares, i.e. 2.32% of the Company's capital stock.

4. Changes at shareholder level

On 14 August 2012, the Company received notification in accordance with Sec. 21 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] from Universal-Investment-Gesellschaft mbH.

Universal-Investment-Gesellschaft mbH, Frankfurt am Main, Germany, informed us on 14 August 2012 pursuant to Sec. 21 (1) WpHG that its share of voting rights in CENIT AG, Stuttgart, Germany, exceeded the threshold of 3% of voting rights on 13 August 2012 and amounted to 3.24% on that date (corresponding to 270,980 voting rights). 2.09% of the voting rights (corresponding to 174,588 voting rights) are allocable to the company pursuant to Sec. 22 (1) Sentence 1 No. 6 WpHG.

In a letter dated 20 August 2012, Axxion S.A. announced that its share of voting rights fell below the threshold of 5%. The notification pursuant to Sec. 21 (1) WpHG reads as follows:

“Dear Sir/Madam,

We hereby notify you in accordance with Sec. 21 (1) WpHG that our share of the voting rights in CENIT AG (ISIN DE0005407100) fell below the threshold of 5% on 14 August 2012 and now amounts to 4.97%.

Axxion S.A. holds 415,949 shares

Total number: 8,367,758 shares

Yours sincerely,

Axxion S.A.
Heiko Hector
Risk management”

E. Group relationships

In compliance with Sec. 315a (1) HGB, the Company prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

F. Declaration pursuant to Sec. 161 AktG on the German Corporate Governance Code

The Management Board and Supervisory Board of the Company have issued the declaration for 2012 required by Sec. 161 AktG and made it available on the Company's homepage (www.cenit.de).

Stuttgart, 28 February 2013

CENIT Aktiengesellschaft

The Management Board

Kurt Bengel
Spokesman of the Management Board

Matthias Schmidt
Member of the Management Board

AUDIT OPINION

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the CENIT-group and the company of CENIT Aktiengesellschaft, Stuttgart, for the fiscal year from January 1 to December 31, 2012. The maintenance of the books and records and the preparation of the annual financial statements and the management report of the CENIT-group and the company in accordance with German commercial law and supplementary provisions of the articles of incorporation and bylaw are the responsibility of the company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report of the CENIT-group and the company based on our audit.

We conducted our audit of the annual financial statements in accordance with sec. 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report of the CENIT-group and the company are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report of the CENIT-group and the company are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and the management report of the CENIT-group and the company. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions in the articles of incorporation and bylaws and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting. The management report of the CENIT-group and the company is consistent with the annual financial statements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Stuttgart, March 5, 2013

BDO AG
Wirtschaftsprüfungsgesellschaft

gez. Andreas Müller
Wirtschaftsprüfer
(German Public Auditor)

gez. ppa. Martin Helmich
Wirtschaftsprüfer
(German Public Auditor)

RESPONSIBILITY STATEMENT IN THE ANNUAL FINANCIAL REPORT

(FIANANCIAL REPORT)

After considering comments received, the German Accounting Standards Board (GASB) agreed at its 114th meeting on the following wording of the responsibility statement required by section 37y no. 1 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) in conjunction with sections 297(2) sentence 2 and 315(1) sentence 6 of the Handelsgesetzbuch (HGB – German Commercial Code) for the financial statements:

“To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the corporation, and the management report includes a fair review of the development and performance of the business and the position of the corporation, together with a

description of the principal opportunities and risks associated with the expected development of the corporation.”

For the sake of completeness, it should be noted that if an entity is obliged to prepare an annual financial report in accordance with section 37v(1) and (2) of the WpHG, it must also comply with the requirements of sections 264(2) sentence 3 and 289(1) sentence 5 of the HGB (single-entity financial statements).

The Management Board

Kurt Bengel Spokesman of the Management Board	Matthias Schmidt Member of the Management Board

GLOSSARY

AMS	Abbreviation for Application Management Services Application Management Services is a variant of outsourcing in which the license and infrastructure remain with user, while the service provider performs services such as development, implementation, support, or migration of the application. These services are provided on the basis of detailed Service Level Agreements (SLAs). Outtasking extends this definition to infrastructure- and/or application-related tasks.
BI	Abbreviation for Business Intelligence Business intelligence denotes procedures and processes aimed at a systematic analysis (collation, evaluation and presentation) of data electronic form.
BOA	Abbreviation for Business Optimization & Analytics The objective of BOA is to provide simple and efficient means of acquiring information that enables an enterprise to make better strategic and operative decisions. From this information, constructive proposals for improved structures, control mechanisms as well as processes, systems and instruments can be derived.
CAD	Abbreviation for Computer-Aided Design Software solutions for product design.
CAE	Abbreviation for Computer-Aided Engineering Software solutions for simulating the physical behavior of a future product.
CAM	Abbreviation for Computer-Aided Manufacturing Software solutions for defining manufacturing processes.
CATIA	PLM solution by Dassault Systèmes With the aid of CATIA, users can manage the entire range of industrial design processes, from marketing and the original concept to product design, analysis and assembly, and finally to maintenance.
Collaborative workspace	Networked working environment in which all parties involved in the product lifecycle (construction, marketing, sales, manufacturing, OEMs, suppliers, and customers) have access to the work in progress and can participate in construction.
CRM	Abbreviation for Customer Relationship Management A business strategy which assists enterprises in managing customer relations. Thus a CRM database permits access to individual customer data and allows enterprises to satisfy

	customer requirements via product plans and product offers, react to special service requirements, and obtain information on previous acquisitions by the customer.
DELMIA	PLM solution by Dassault Systèmes DELMIA offers manufacturers the means to digitally plan, develop, monitor and control manufacturing and service processes.
Digital factory	Three-dimensional graphic simulation of a factory by way of digitally integrated systems (e.g. DELMIA)
Digital manufacturing	Planning and simulation of manufacturing processes via networking of digitally integrated systems (e.g. DELMIA). Developed for purposes of optimizing production costs, ergonomics, assembly line arrangement, productivity, and scheduling.
DMF	Abbreviation for Digital Manufacturing
DMU	Abbreviation for Digital Mock-Up Virtual design and 3D simulation of a product and all of its component parts. The use of digital/virtual mock-ups eliminates the need for costly actual prototypes.
ECM	Abbreviation for Enterprise Content Management ECM permits an enterprise to not only store all relevant information, but to also manage and reuse it. This reduces down-times and simultaneously increases the quality of products and services.
EIM	Abbreviation for Enterprise Information Management EIM extends to all solutions and consulting services that generate structured and unstructured data, both within the enterprise and externally. EIM ensures high availability and security of data and optimizes the exchange of data between users. EIM is a holistic data management concept that ensures a consistent, transparent and reliable information structure. It encompasses all current and previous solutions and consulting services related to Enterprise Content Management, Groupware, Infrastructure Management und Application Management Outsourcing, Systems Management, Hotline Service, and remote maintenance of hard- and software.
ENOVIA	PLM solution portfolio by Dassault Systèmes ENOVIA supports cooperative enterprise-wide product development – in the true sense of holistic product lifecycle management (PLM).
ERP	Abbreviation for Enterprise Resource Planning

	A business strategy which supports enterprises in managing their core business fields: acquisitions, inventory, suppliers, customer service, and order tracking. ERP can also be used in financial and staff administration. An ERP system is usually based on a series of software modules linked to a relational database.
Expanded enterprise	A term used to describe all of the participants in product development. In addition to the individuals who are normally part of an enterprise (staff, managers, board), an expanded enterprise also includes business partners, suppliers, manufacturers (OEMs), and customers. To ensure that the expanded enterprise operates efficiently, participants must be able to exchange product data between one another and work on the data jointly.
Knowledgeware	Tools which support an enterprise by facilitating the gathering, exchange and reuse of knowledge. By way of a consistent reuse of valuable, already available information, enterprises can optimize Product Lifecycle Management and facilitate automated construction.
NC	Abbreviation for Numerical Control Control of machinery or processes via numerical control commands.
PDM	Abbreviation for Product Data Management A concept developed to store and manage product-defining and product presentation data and documents generated during product development, and to make these available in later phases of the product lifecycle.
PLM	Abbreviation for Product Lifecycle Management A business strategy which assists enterprises in exchanging product data, applying uniform processes, and making use of the enterprise's product development knowledge, from initial concept to final redundancy, across the entire expanded enterprise. Thanks to the integration of all involved parties (enterprise divisions, business partners, suppliers, OEMs and customers), PLM offers the entire network the means to operate as a single entity and to jointly conceive, develop, build and service products.
SCM	Abbreviation for Supply Chain Management A business strategy which assists enterprises in coordinating the flow of commodities, information and funds between the individual enterprises in a value chain.
SLA	Abbreviation for Service Level Agreement SLAs define the qualitative and quantitative customer-specific objectives in the field of AMO, with the aim of achieving long-term, successful cooperation.

CENIT AG Stuttgart
Industriestraße 52-54
D-70565 Stuttgart
Phone: +49 711 7825-30
Fax: +49 711 7825-4000
E-Mail: info@cenit.de
Web: www.cenit.de